



BUTLER COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

**From The Office Of State Auditor
Claire McCaskill**

Report No. 99-92
September 30, 1999

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Butler, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Butler County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- < The county does not have a procedure in place to track federal awards. The county did not submit a Schedule of Expenditures of Federal Awards (SEFA) to the State Auditor's Office in 1997, and the 1998 SEFA prepared was incomplete. An accurate SEFA is necessary to ensure federal financial activity is audited and reported in accordance with federal requirements.
- < The County contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the federal Off-System Bridge Replacement and Rehabilitation Program. The county did not have documentation regarding the consideration of at least three engineering firms for two bridge projects as required.
- < The Butler County Juvenile Office operates the Hentz School which receives federal and state funding. Expenditures made from the Hentz School Fund to reimburse the Poplar Bluff School District for teachers' salaries were approximately \$130,000 and \$128,000 respectively, in 1998 and 1997. The county did not enter into a written agreement with the school district documenting the services to be provided and the payments to be made from the Hentz School Fund.

(over)

YELLOW SHEET

- < The county did not have procedures in place to ensure financial activities were accurately presented. Actual receipt and disbursement amounts were not correctly reported on county budgets and published financial statements. Numerous errors were noted and could have been detected had reconciliations between the County Clerks and County Treasurer's office been performed. In addition, formal budgets were not prepared for various county funds and actual disbursements exceeded budget amounts in several funds.

The audit also made recommendations and suggestions to improve the county's personnel policies and procedures, controls over property tax additions and abatements, and monitoring of collateral securities pledged by county banks. Additional recommendations were made to improve the documentation of county expenditures, minutes of County Commission meetings and general fixed asset records.

Also included in the audit are recommendations to improve the accounting controls and procedures for the Associate Circuit Division, the County Clerk, the County Collector, the County Treasurer, the County Juvenile Officer, the Probate Division, the County Prosecuting Attorney, and the County Sheriff. Approximately \$130 could not be accounted for in the County Clerk's office. Additionally, due to concerns noted on the Sheriff's inmate and commissary accounts, a special review is being performed of those areas.

Copies of the audit are available upon request.

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Butler County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Butler County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Butler County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Butler County.

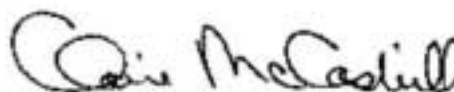
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Butler County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Butler County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 27, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Butler County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

May 27, 1999 (fieldwork completion date)



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Butler County, Missouri

We have audited the special-purpose financial statements of various funds of Butler County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 27, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

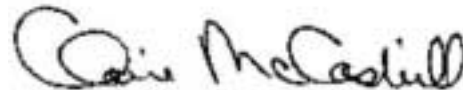
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Butler County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Butler County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Butler County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

May 27, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

BUTLER COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 1998

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 257,303	3,996,961	4,091,527	162,737
Special Road and Bridge	366,183	1,830,795	1,683,222	513,756
Assessment	24,037	240,704	249,032	15,709
Law Enforcement Training	8,127	12,255	12,589	7,793
Prosecuting Attorney Training	429	2,944	2,507	866
Prosecuting Attorney Bad Check	353	37,732	31,758	6,327
Law Enforcement Complex	631,915	1,123,011	1,063,738	691,188
Road and Bridge Capital Improvement - Eastern District	371,174	613,312	570,277	414,209
Road and Bridge Capital Improvement - Western District	316,416	664,169	624,720	355,865
Prosecuting Attorney Crime Reduction Fund	13,150	32,252	44,163	1,239
Prosecuting Attorney Delinquent Tax	251	659	203	707
Recorder's User Fees	70,451	20,477	5,488	85,440
Senior Citizen Service	78,440	146,337	170,402	54,375
Board for the Care of the Handicapped	294,303	274,587	396,652	172,238
Local Use Tax	459,533	31,240	216,000	274,773
Law Enforcement Use Tax	104,294	0	0	104,294
Road and Bridge Capital Improvements Use Tax	104,295	0	0	104,295
Division of Youth Services - Tracker Program	0	15,638	19,274	-3,636
Division of Youth Services - Hentz School	0	184,912	137,415	47,497
Division of Youth Services - Probation Management	0	8,109	7,347	762
Division I Interest	5,587	9,313	12,714	2,186
Division II Interest	437	655	727	365
Division III Interest	846	297	59	1,084
Sheriff's Drug Enforcement	13,065	2,986	6,618	9,433
Drainage District No. 12	13,037	2,647	455	15,229
Domestic Violence Shelter Board	5,270	13,444	13,777	4,937
Sheriff's Civil Fees	0	57,100	875	56,225
Law Library	33,392	26,696	19,095	40,993
Contingency Probation Management	704	15,523	16,227	0
Hentz School	70,187	87,898	158,085	0
Tracker Program	792	28,947	29,739	0
Jail Commissary	1,579	65,943	65,871	1,651
K-9 Patrol	0	8,466	8,088	378
DARE	0	1,963	810	1,153
CDBG - Public Water Supply District #1	500	103,802	103,802	500
CDBG - Public Water Supply District #3	0	15,677	15,677	0
CDBG - Brown Cabinets Economic Development	0	35,069	35,069	0
Total	\$ 3,246,050	9,712,520	9,814,002	3,144,568

The accompanying Notes to the Financial Statements are an integral part of this statement.

BUTLER COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 1997

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 18,984	3,939,890	3,701,571	257,303
Special Road and Bridge	89,906	1,917,077	1,640,800	366,183
Assessment	21,179	224,231	221,373	24,037
Law Enforcement Training	4,105	6,868	2,846	8,127
Prosecuting Attorney Training	711	3,979	4,261	429
Prosecuting Attorney Bad Check	673	34,325	34,645	353
Law Enforcement Complex	1,008,490	1,078,192	1,454,767	631,915
Road and Bridge Capital Improvement - Eastern District	253,100	608,552	490,478	371,174
Road and Bridge Capital Improvement - Western District	239,552	563,469	486,605	316,416
Prosecuting Attorney Crime Reduction Fund	29,300	37,694	53,844	13,150
Prosecuting Attorney Delinquent Tax	2,683	1,762	4,194	251
Recorder's User Fees	51,398	19,053	0	70,451
Senior Citizen Service	81,960	136,957	140,477	78,440
Board for the Care of the Handicapped	372,569	285,572	363,838	294,303
Local Use Tax	425,744	33,789	0	459,533
Law Enforcement Use Tax	104,294	0	0	104,294
Road and Bridge Capital Improvements Use Tax	104,295	0	0	104,295
Division I Interest	6,702	379	1,494	5,587
Division II Interest	7,785	2,485	9,833	437
Division III Interest	655	317	126	846
InmateTelephone Income	37,596	11,426	49,022	0
Sheriff's Drug Enforcement	13,065	0	0	13,065
Drainage District No. 12	10,670	2,787	420	13,037
Domestic Violence Shelter Board	4,833	14,970	14,533	5,270
Law Library	33,418	27,078	27,104	33,392
Contingency Probation Management	959	30,364	30,619	704
Hentz School	55,535	229,268	214,616	70,187
Tracker Program	4,038	39,182	42,428	792
Jail Commissary	0	39,099	37,520	1,579
CDBG - Public Water Supply District #1	0	6,000	5,500	500
CDBG - Public Water Supply District #3	0	49,935	49,935	0
Total	\$ 2,984,199	9,344,700	9,082,849	3,246,050

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

BUTLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 296,220	326,414	30,194	229,100	303,759	74,659
Sales taxes	1,400,000	1,399,706	-294	1,380,000	1,418,533	38,533
Intergovernmental	544,300	755,437	211,137	523,300	650,187	126,887
Charges for services	511,000	593,577	82,577	476,000	536,260	60,260
Interest	12,000	21,423	9,423	12,000	9,229	-2,771
Other	154,800	184,404	29,604	222,700	186,922	-35,778
Transfers in	1,065,000	716,000	-349,000	835,000	835,000	0
Total Receipts	3,983,320	3,996,961	#VALUE!	3,678,100	3,939,890	#VALUE!
DISBURSEMENTS						
County Commission	78,500	75,040	3,460	74,500	77,882	-3,382
County Clerk	106,505	107,205	-700	103,505	102,552	953
Elections	95,450	75,386	20,064	36,250	35,544	706
Buildings and grounds	367,800	294,713	73,087	313,800	276,678	37,122
Employee fringe benefits	437,900	453,147	-15,247	329,600	386,062	-56,462
County Treasurer	50,650	48,576	2,074	48,969	42,828	6,141
County Collector	122,522	104,269	18,253	109,072	101,340	7,732
Ex Officio Recorder of Deeds	130,284	123,513	6,771	128,150	121,342	6,808
Circuit Clerk	34,300	20,142	14,158	30,500	16,628	13,872
Associate Circuit Court	44,000	39,553	4,447	40,000	32,421	7,579
Associate Circuit (Probate)	31,200	9,833	21,367	30,800	10,564	20,236
Court administration	20,800	16,420	4,380	9,000	6,350	2,650
Public Administrator	15,500	9,167	6,333	7,200	3,748	3,452
Sheriff	823,569	929,314	-105,745	1,074,886	939,797	135,089
Jail	428,845	477,533	-48,688	440,500	440,853	-353
Prosecuting Attorney	148,166	157,854	-9,688	138,654	144,118	-5,464
Juvenile Officer	271,150	248,485	22,665	210,373	214,471	-4,098
County Coroner	38,240	27,527	10,713	31,885	31,458	427
Other government	718,586	473,573	245,013	182,386	399,185	-216,799
Juvenile Justice Center	101,300	100,432	868	89,517	91,695	-2,178
Support Enforcement IV-D	198,925	185,939	12,986	186,860	180,344	6,516
Public health and welfare services	30,400	30,739	-339	23,450	37,974	-14,524
Transfers out	37,000	83,167	-46,167	35,000	7,737	27,263
Emergency Fund	62,500	0	62,500	62,500	0	62,500
Total Disbursements	4,394,092	4,091,527	302,565	3,737,357	3,701,571	35,786
RECEIPTS OVER (UNDER) DISBURSEMENTS	-410,772	-94,566	#VALUE!	-59,257	238,319	#VALUE!
CASH, JANUARY 1	255,471	257,303	1,832	-114,711	18,984	133,695
CASH, DECEMBER 31	\$ -155,301	162,737	#VALUE!	-173,968	257,303	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

BUTLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 109,780	113,978	4,198	77,900	105,060	27,160
Sales taxes	600,000	583,999	-16,001	591,000	607,425	16,425
Intergovernmental	1,066,500	1,118,738	52,238	1,031,500	1,183,640	152,140
Charges for services	0	9	9	0	1,206	1,206
Interest	5,000	6,698	1,698	3,000	5,991	2,991
Other	16,100	7,373	-8,727	26,100	13,755	-12,345
Total Receipts	1,797,380	1,830,795	33,415	1,729,500	1,917,077	187,577
DISBURSEMENTS						
Salaries	805,000	828,575	-23,575	802,000	777,420	24,580
Employee fringe benefits	323,000	300,622	22,378	315,600	286,492	29,108
Supplies	318,800	318,121	679	316,000	286,454	29,546
Insurance	45,000	29,585	15,415	45,000	34,327	10,673
Road and bridge materials	153,000	122,105	30,895	133,500	131,803	1,697
Equipment repairs	2,800	13,277	-10,477	2,800	6,642	-3,842
Rentals	2,000	2,073	-73	1,500	2,383	-883
Equipment purchases	15,000	9,921	5,079	27,000	39,664	-12,664
Construction, repair, and maintenance	108,000	26,783	81,217	108,000	34,037	73,963
Other	30,000	32,160	-2,160	50,000	41,578	8,422
Total Disbursements	1,802,600	1,683,222	119,378	1,801,400	1,640,800	160,600
RECEIPTS OVER (UNDER) DISBURSEMENTS	-5,220	147,573	152,793	-71,900	276,277	348,177
CASH, JANUARY 1	364,287	366,183	1,896	88,951	89,906	955
CASH, DECEMBER 31	\$ 359,067	513,756	154,689	17,051	366,183	349,132

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 240,000	227,386	-12,614	220,000	210,958	-9,042
Charges for services	150	208	58	150	0	-150
Interest	1,400	378	-1,022	1,200	1,397	197
Other	11,600	12,732	1,132	3,600	11,876	8,276
Transfers in	37,000	0	-37,000	35,000	0	-35,000
Total Receipts	290,150	240,704	-49,446	259,950	224,231	-35,719
DISBURSEMENTS						
Assessor	289,123	249,032	40,091	277,713	221,373	56,340
Total Disbursements	289,123	249,032	40,091	277,713	221,373	56,340
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,027	-8,328	-9,355	-17,763	2,858	20,621
CASH, JANUARY 1	25,878	24,037	-1,841	21,479	21,179	-300
CASH, DECEMBER 31	\$ 26,905	15,709	-11,196	3,716	24,037	20,321

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

		Year Ended December 31,					
		1998			1997		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS							
Intergovernmental	\$	0	4,370	4,370	0	0	0
Charges for services		6,000	7,885	1,885	6,000	6,868	868
Total Receipts		6,000	12,255	6,255	6,000	6,868	868
DISBURSEMENTS							
Sheriff		4,600	12,589	-7,989	6,600	2,846	3,754
Total Disbursements		4,600	12,589	-7,989	6,600	2,846	3,754
RECEIPTS OVER (UNDER) DISBURSEMENTS		1,400	-334	1,734	-600	4,022	-4,622
CASH, JANUARY 1		4,105	8,127	4,022	4,105	4,105	0
CASH, DECEMBER 31	\$	5,505	7,793	2,288	3,505	8,127	4,622

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 3,500	2,064	-1,436	3,500	3,979	479
Other	0	880	880	0	0	0
Total Receipts	3,500	2,944	-556	3,500	3,979	479
DISBURSEMENTS						
Prosecuting Attorney	3,500	2,507	993	3,500	4,261	-761
Total Disbursements	3,500	2,507	993	3,500	4,261	-761
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	437	437	0	-282	-282
CASH, JANUARY 1	711	429	-282	711	711	0
CASH, DECEMBER 31	\$ 711	866	155	711	429	-282

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 42,000	37,732	-4,268	42,000	34,325	-7,675
Interest	600	0	-600	600	0	-600
Total Receipts	42,600	37,732	-4,868	42,600	34,325	-8,275
DISBURSEMENTS						
Office expenditures	25,000	20,785	4,215	25,000	34,645	-9,645
Equipment expenditures	0	0	0	7,000	0	7,000
Mileage and training	10,000	10,973	-973	10,000	0	10,000
Total Disbursements	35,000	31,758	3,242	42,000	34,645	7,355
RECEIPTS OVER (UNDER) DISBURSEMENTS	7,600	5,974	-1,626	600	-320	-920
CASH, JANUARY 1	2,161	353	-1,808	673	673	0
CASH, DECEMBER 31	\$ 9,761	6,327	-3,434	1,273	353	-920

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

BUTLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LAW ENFORCEMENT COMPLEX FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	\$ 1,000,000	1,079,616	79,616	960,000	1,011,732	51,732
Interest	35,000	43,395	8,395	35,000	66,460	31,460
Total Receipts	1,035,000	1,123,011	88,011	995,000	1,078,192	83,192
DISBURSEMENTS						
Lease payments	565,000	563,738	1,262	565,000	563,659	1,341
Jail construction	0	0	0	325,000	0	325,000
Equipment	0	0	0	21,000	21,773	-773
Furniture and schooling	0	0	0	25,000	8,550	16,450
Transfers out	585,000	500,000	85,000	835,000	835,000	0
Other	0	0	0	0	25,785	-25,785
Total Disbursements	1,150,000	1,063,738	86,262	1,771,000	1,454,767	316,233
RECEIPTS OVER (UNDER) DISBURSEMENTS	-115,000	59,273	174,273	-776,000	-376,575	399,425
CASH, JANUARY 1	631,915	631,915	0	1,008,490	1,008,490	0
CASH, DECEMBER 31	\$ 516,915	691,188	174,273	232,490	631,915	399,425

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ROAD AND BRIDGE CAPITAL IMPROVEMENT, EASTERN AND WESTERN DISTRICT FUND

		Year Ended December 31,					
		1998			1997		
			Variance Favorable			Variance Favorable	
		Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)
RECEIPTS							
Sales taxes	\$	1,000,000	1,079,625	79,625	960,000	1,011,741	51,741
Interest		35,000	39,032	4,032	15,000	35,501	20,501
Other		0	158,824	158,824	0	124,779	124,779
Total Receipts		1,035,000	1,277,481	242,481	975,000	1,172,021	197,021
DISBURSEMENTS							
Equipment		300,000	310,730	-10,730	278,000	346,852	-68,852
Construction materials		934,000	814,097	119,903	810,000	589,746	220,254
Other		22,000	70,170	-48,170	22,000	40,485	-18,485
Total Disbursements		1,256,000	1,194,997	61,003	1,110,000	977,083	132,917
RECEIPTS OVER (UNDER) DISBURSEMENTS		-221,000	82,484	303,484	-135,000	194,938	329,938
CASH, JANUARY 1		764,656	687,590	-77,066	492,773	492,652	-121
CASH, DECEMBER 31		\$ 543,656	770,074	226,418	357,773	687,590	329,817

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

BUTLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY CRIME REDUCTION FUND

Year Ended December 31,			
1998			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 35,000	32,252	-2,748
Total Receipts	35,000	32,252	-2,748
DISBURSEMENTS			
Prosecuting Attorney	35,000	44,163	-9,163
Total Disbursements	35,000	44,163	-9,163
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-11,911	-11,911
CASH, JANUARY 1	28,858	13,150	-15,708
CASH, DECEMBER 31	\$ 28,858	1,239	-27,619

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

		Year Ended December 31,					
		1998			1997		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS							
Intergovernmental	\$	1,800	659	-1,141	4,000	1,762	-2,238
Total Receipts		1,800	659	-1,141	4,000	1,762	-2,238
DISBURSEMENTS							
Prosecuting Attorney		0	203	-203	0	4,194	-4,194
Total Disbursements		0	203	-203	0	4,194	-4,194
RECEIPTS OVER (UNDER) DISBURSEMENTS		1,800	456	-1,344	4,000	-2,432	-6,432
CASH, JANUARY 1		0	251	251	2,683	2,683	0
CASH, DECEMBER 31	\$	1,800	707	-1,093	6,683	251	-6,432

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 16,000	17,108	1,108	16,000	15,762	-238
Interest	2,000	3,369	1,369	900	3,291	2,391
Total Receipts	18,000	20,477	2,477	16,900	19,053	2,153
DISBURSEMENTS						
Office expenditures	0	0	0	15,000	0	15,000
Equipment expenditures	70,000	5,488	64,512	35,000	0	35,000
Total Disbursements	70,000	5,488	64,512	50,000	0	50,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-52,000	14,989	66,989	-33,100	19,053	52,153
CASH, JANUARY 1	70,451	70,451	0	38,181	51,398	13,217
CASH, DECEMBER 31	\$ 18,451	85,440	66,989	5,081	70,451	65,370

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENIOR CITIZEN SERVICE FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 140,000	146,337	6,337	134,000	136,957	2,957
Total Receipts	140,000	146,337	6,337	134,000	136,957	2,957
DISBURSEMENTS						
Contractual obligations	176,600	170,402	6,198	156,200	140,477	15,723
Other	5,282	0	5,282	30,637	0	30,637
Total Disbursements	181,882	170,402	11,480	186,837	140,477	46,360
RECEIPTS OVER (UNDER) DISBURSEMENTS	-41,882	-24,065	17,817	-52,837	-3,520	49,317
CASH, JANUARY 1	41,882	78,440	36,558	52,837	81,960	29,123
CASH, DECEMBER 31	\$ 0	54,375	54,375	0	78,440	78,440

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
BOARD FOR THE CARE OF THE HANDICAPPED FUND

		Year Ended December 31,					
		1998			1997		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS							
Property taxes	\$	265,000	261,959	-3,041	250,000	268,911	18,911
Intergovernmental		1,050	1,783	733	7,000	2,600	-4,400
Interest		5,000	10,845	5,845	3,000	14,061	11,061
Total Receipts		271,050	274,587	3,537	260,000	285,572	25,572
DISBURSEMENTS							
Contract services		147,000	395,421	-248,421	486,500	362,607	123,893
Administrative expenditures		2,000	1,231	769	2,000	1,231	769
Total Disbursements		149,000	396,652	-247,652	488,500	363,838	124,662
RECEIPTS OVER (UNDER) DISBURSEMENTS		122,050	-122,065	-244,115	-228,500	-78,266	150,234
CASH, JANUARY 1		122,426	294,303	171,877	356,426	372,569	16,143
CASH, DECEMBER 31	\$	244,476	172,238	-72,238	127,926	294,303	166,377

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

BUTLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COMBINED LOCAL USE TAX FUND

Year Ended December 31,			
1998			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	\$ 29,400	31,240	1,840
Total Receipts	29,400	31,240	1,840
DISBURSEMENTS			
Transfers out	480,000	216,000	264,000
Total Disbursements	480,000	216,000	264,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-450,600	-184,760	265,840
CASH, JANUARY 1	668,122	668,122	0
CASH, DECEMBER 31	\$ 217,522	483,362	265,840

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

BUTLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DIVISION OF YOUTH SERVICES - TRACKER PROGRAM FUND

Year Ended December 31,			
1998			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	\$ 13,887	12,618	-1,269
Transfers in	3,020	3,020	0
Total Receipts	16,907	15,638	-1,269
DISBURSEMENTS			
Salaries and fringe benefits	13,137	19,274	-6,137
Office and other	750	0	750
Total Disbursements	13,887	19,274	-5,387
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,020	-3,636	-6,656
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	\$ 3,020	-3,636	-6,656

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

BUTLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DIVISION OF YOUTH SERVICES - HENTZ SCHOOL FUND

Year Ended December 31,			
1998			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	\$ 105,264	133,037	27,773
Interest	0	483	483
Other	0	85	85
Transfers in	51,307	51,307	0
Total Receipts	156,571	184,912	28,341
DISBURSEMENTS			
Salaries	81,265	137,415	-56,150
Counseling services	4,650	0	4,650
Rent and facility maintenance	19,199	0	19,199
Equipment	150	0	150
Total Disbursements	105,264	137,415	-32,151
RECEIPTS OVER (UNDER) DISBURSEMENTS	51,307	47,497	-3,810
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	\$ 51,307	47,497	-3,810

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

BUTLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DIVISION OF YOUTH SERVICES - CONTINGENCY PROBATION MANAGEMENT FUND

		Year Ended December 31,		
		1998		
			Variance	
			Favorable	
	Budget	Actual	(Unfavorable)	
RECEIPTS				
Intergovernmental	\$	1,216	2,433	1,217
Transfers in		3,477	5,676	2,199
Total Receipts		4,693	8,109	3,416
DISBURSEMENTS				
Salaries and fringe benefits		2,957	7,347	-4,390
Mileage		60	0	60
Total Disbursements		3,017	7,347	-4,330
RECEIPTS OVER (UNDER) DISBURSEMENTS		1,676	762	-914
CASH, JANUARY 1		0	0	0
CASH, DECEMBER 31		\$ 1,676	762	-914

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

BUTLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DIVISION I INTEREST FUND

Year Ended December 31,			
1997			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	\$ 2,500	379	-2,121
Total Receipts	2,500	379	-2,121
DISBURSEMENTS			
Office expenditures	1,350	1,494	-144
Total Disbursements	1,350	1,494	-144
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,150	-1,115	-2,265
CASH, JANUARY 1	6,694	6,702	8
CASH, DECEMBER 31	\$ 7,844	5,587	-2,257

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DIVISION II INTEREST FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	\$ 1,000	655	-345	1,700	1,259	-441
Other	0	0	0	0	1,226	1,226
Total Receipts	1,000	655	-345	1,700	2,485	785
DISBURSEMENTS						
Office expenditures	850	152	698	1,700	1,936	-236
Other	0	575	-575	0	7,897	-7,897
Total Disbursements	850	727	123	1,700	9,833	-8,133
RECEIPTS OVER (UNDER) DISBURSEMENTS	150	-72	-222	0	-7,348	-7,348
CASH, JANUARY 1	0	437	437	0	7,785	7,785
CASH, DECEMBER 31	\$ 150	365	215	0	437	437

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

BUTLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DIVISION III INTEREST FUND

		Year Ended December 31,		
		1997		
				Variance
				Favorable
		Budget	Actual	(Unfavorable)
RECEIPTS				
Interest	\$	300	317	17
Total Receipts		300	317	17
DISBURSEMENTS				
Office expenditures		200	126	74
Total Disbursements		200	126	74
RECEIPTS OVER (UNDER) DISBURSEMENTS		100	191	91
CASH, JANUARY 1		366	655	289
CASH, DECEMBER 31	\$	466	846	380

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

BUTLER COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Butler County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Board for the Care of the Handicapped, or the Senior Citizen Service Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed by warrant or in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Sheriff's Drug Enforcement Fund	1998 and 1997
Drainage District No. 12 Fund	1998 and 1997
Domestic Violence Shelter Board Fund	1998 and 1997
Law Library Fund	1998 and 1997
Contingency Probation Management Fund	1998 and 1997
Hentz School Fund	1998 and 1997
Tracker Program Fund	1998 and 1997
Jail Commissary Fund	1998 and 1997
CDBG - Public Water Supply District #1 Fund	1998 and 1997
CDBG - Public Water Supply District #3 Fund	1998 and 1997
Division I Interest Fund	1998
Division III Interest Fund	1998
Sheriff's Civil Fees Fund	1998
K-9 Patrol Fund	1998
DARE Fund	1998
CDBG - Brown Cabinets Economic Development Fund	1998
Prosecuting Attorney Crime Reduction Fund	1997
Local Use Tax Fund	1997
Law Enforcement Use Tax Fund	1997
Road and Bridge Capital Improvements Use Tax Fund	1997
Inmate Telephone Income Fund	1997

The County Clerk does not prepare separate budgets for the Road and Bridge Capital Improvement-Eastern District Fund and the Road and Bridge Capital Improvement-Western District Fund. During 1998 and 1997, the activity and cash balances of the Road and Bridge Capital Improvement-Eastern District Fund and the Road and Bridge Capital Improvement-Western District Fund were included in the budget for the Road and Bridge Capital Improvement, Eastern and Western District Fund.

During 1998, the County Clerk did not originally budget the Local Use Tax Fund, the Law Enforcement Use Tax Fund and the Road and Bridge Capital Improvement Use Tax Fund, however in December 1998 the County Commission approved an amended budget in which the activity and cash balances of the Local Use Tax Fund, the Law Enforcement Use Tax Fund and the Road and Bridge Capital Improvements Use Tax Fund were budgeted in the Combined Local Use Tax Fund.

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Prosecuting Attorney Delinquent Tax Fund	1998 and 1997
Law Enforcement Training Fund	1998

Prosecuting Attorney Crime Reduction Fund	1998
Board for the Care of the Handicapped Fund	1998
Division of Youth Services - Tracker Program Fund	1998
Division of Youth Services - Hentz School Fund	1998
Division of Youth Services - Contingency Probation Management Fund	1998
Division II Interest Fund	1997
Prosecuting Attorney Training Fund	1997
Division I Interest Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Deficit budget balances are presented for the General Revenue Fund for the years ended December 31, 1998 and 1997.

However, the budgets of that fund also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balances presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Library Fund	1998 and 1997
Contingency Probation Management Fund	1998 and 1997
Hentz School Fund	1998 and 1997
Tracker Program Fund	1998 and 1997
Jail Commissary Fund	1998 and 1997
Division of Youth Services - Probation Management Fund	1998
Sheriff's Civil Fees Fund	1998
K-9 Patrol Fund	1998
DARE Fund	1998
Road and Bridge Capital Improvement -	

Eastern District Fund	1997
Road and Bridge Capital Improvement - Western District Fund	1997
Prosecuting Attorney Crime Reduction Fund	1997
Recorder's User Fees Fund	1997
Senior Citizen Service Fund	1997
Local Use Tax Fund	1997
Law Enforcement Use Tax Fund	1997
Road and Bridge Capital Improvements Use Tax Fund	1997
Division I Interest Fund	1997
Division II Interest Fund	1997
Division III Interest Fund	1997
Sheriff's Drug Enforcement Fund	1997
CDBG - Public Water Supply District #1 Fund	1997
CDBG - Public Water Supply District #3 Fund	1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

At December 31, 1998, the reported amount of the county's deposits was \$2,060,407 and the bank balance was \$2,300,109. Of the bank balance, \$2,243,217 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and \$56,892 was covered by collateral pledged by one bank and held in the

county's name by the safekeeping department of an affiliate of the same bank holding company.

At December 31, 1997, the reported amount of the county's deposits was \$1,503,434 and the bank balance was \$1,523,303. Of the bank balance, \$1,487,156 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and \$36,147 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

Investments

The only investments of the various funds at December 31, 1998 and 1997, were investment accounts established with the county's depositary bank. The county instructs its depositary bank to invest these accounts, and at December 31, 1998 and 1997, the underlying securities were U.S. government securities with carrying amounts of \$1,194,326 and \$1,970,234, respectively, (which approximated market). These amounts represent uninsured and unregistered investments for which the securities were held by the county's depositary bank through a book entry customer account at the Federal Reserve Bank.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received \$634,333 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be \$317,159. As of December 31, 1998, \$118,934 remains to be paid.

Supplementary Schedule

Schedule

BUTLER COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal		Pass-Through	Federal Expenditures	
CFDA		Entity	Year Ended December 31,	
Number	Federal Grantor/Pass-Through Grantor/Program Title	Identifying		
		Number	1998	1997
U. S. DEPARTMENT OF AGRICULTURE				
	Passed through state:			
	Department of Social Services -			
10.6	Food Distribution	N/A	\$ 3,330	437
	Department of Health -			
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	N/A	137,992	134,461
	Office of Administration -			
10.7	Schools and Roads - Grants to States	N/A	64,676	81,926
U.S. DEPARTMENT OF DEFENSE				
	U.S. Army Corps of Engineers-			
12.unknown	Direct program - Contract for law enforcement services	DAC43-91-H-0601	23,604	22,440
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
	Passed through state:			
	Department of Economic Development -			
14.2	Community Development Block Grants/State's Program	94PF010	15,677	49,935
		97PF004	103,802	5,500
		98MO006	35,069	0
	Program Total		154,548	55,435
	Department of Social Services -			
14.2	Emergency Shelter Grants Program	N/A	4,083	5,000
U.S. DEPARTMENT OF JUSTICE				
	Direct programs:			
16.7	Public Safety Partnership and Community Policing ("Cops") Grants			
	COPS Small Community Program	98-CGWX-0062	10,942	0
	COPS FAST/COPS Universal Hiring Program	95-CFWX-3812	28,442	11,809
	Program Total		39,384	11,809
	Passed through:			
	State Department of Public Safety -			
16.6	Byrne Formula Grant Program	N/A	1,256	0
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through state Highway and Transportation Commission -			

20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO-012-08	0	60,957
		BRO-012-13	0	39,182
		BRO-012-15	726	0
		BRO-012-16	10,129	0
		BRO-012-18	18,773	0
		STP-9900013	3,077	14,134
	Program Total		<u>32,705</u>	<u>114,273</u>

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GENERAL SERVICES ADMINISTRATION

Passed through state Office of Administration -

39.0	Donation of Federal Surplus Personal Property	N/A	22,127	45,527
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U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed through state:

	Department of Health -			
93.3	Immunization Grants		5,775	7,193
	Department of Social Services -			
93.6	Child Support Enforcement	N/A	114,771	113,262
	Department of Health -			
93.6	Child Care and Development Block Grant	ERO1468111PSI	3,235	1,698
		ERO1468111OSS	5,020	10,350
		ERO1468111GPH	567	165
	Program Total		<u>8,822</u>	<u>12,213</u>
	Department of Social Services, Division of Youth Services -			
93.7	Social Services Block Grant - Juvenile Court Diversion Program			
	Intensive Care Probation	ERO172020	371	1,278
	Day Treatment (Hentz School)	ERO172076	88,656	11,821
	Status Offenders	ERO172077	15,632	1,955
	Program Total		<u>104,659</u>	<u>15,054</u>
	Department of Health -			
93.9	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	N/A	0	2,080
94.0	Preventive Health and Health Services Block Grant	AOC80000088	27,963	28,803
94.0	Maternal and Child Health Services Block Grant to the States	ERO1757111FP	7,931	10,368
		ERO1757111	0	1,757
		ERO1758111MCH	38,264	37,013
	Program Total		<u>46,195</u>	<u>49,138</u>
	Total Expenditures of Federal Awards		<u>\$ 791,890</u>	<u>699,051</u>

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

BUTLER COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Butler County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$154,548 and \$55,435 to subrecipients under the Community Development Block Grants/State's Program (CFDA number 14.228) during the year ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Butler County, Missouri

Compliance

We have audited the compliance of Butler County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Butler County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance

with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 98-1 through 98-3.

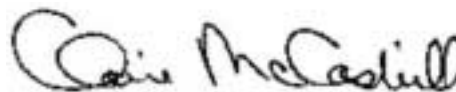
Internal Control Over Compliance

The management of Butler County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 98-1 through 98-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the management of Butler County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 27, 1999 (fieldwork completion date)

Schedule

BUTLER COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes X no

Reportable conditions identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to the financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes X no

Reportable conditions identified that are not considered to be material weaknesses? X yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? X yes no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.228	Community Development Block Grants/State's Program
20.205	Off-System Bridge Replacement and Rehabilitation Program

93.667 Social Services Block Grant-Juvenile Court Diversion Program
Dollar threshold used to distinguish between Type A
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? _____ yes X no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

98-1. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity	
Identifying Number:	Not Applicable
Award Years:	1998 and 1997
Questioned Costs:	Not Applicable
Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Numbers:	94PF010, 97PF004, and 98MO006
Award Years:	1998 and 1997
Questioned Costs:	Not Applicable
Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Off-System Bridge Replacement and Rehabilitation Program

Pass-Through Entity

Identifying Numbers: BRO-012-08, BRO-012-13, BRO-012-15, BRO-012-16,
BRO-012-18, and STP-9900013
Award Years: 1998 and 1997
Questioned Costs: Not Applicable

Federal Grantor: U.S. Department of Health and Human Services
Pass-Through Grantor: Department of Social Services, Division of Youth Services
Federal CFDA Number: 93.667
Program Title: Social Services Block Grant - Juvenile Court Diversion
Program

Pass-Through Entity

Identifying Numbers: ERO172020, ERO172076, and ERO172077
Award Years: 1998 and 1997
Questioned Costs: Not Applicable

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have a procedure in place to track federal awards for preparation of the SEFA. The county did not prepare and submit a SEFA to the State Auditor's Office for the year ended December 31, 1997. The county prepared a SEFA for the year ended December 31, 1998; however, the schedule only included three of the seventeen federal programs the county participated in during the year ended December 31, 1998. In addition, the information presented by the County Clerk for two of the three programs did not agree with the county's expenditure records.

Without an accurate and timely SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards and submit the schedule to the State Auditor's Office as a part of the annual budget.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk provided the following response:

I will make every effort to identify and report federal expenditures. The recommendation will be implemented for the SEFA submitted in January 2000.

98-2.

Hentz School Contract for Services

Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Department of Social Services, Division of Youth Services
Federal CFDA Number:	93.667
Program Title:	Social Services Block Grant - Juvenile Court Diversion Program
Pass-Through Entity	
Identifying Number:	ERO172076
Award Years:	1998 and 1997
Questioned Costs:	Not Applicable

The Butler County Juvenile Office operates the Hentz School which is an alternative school for the Thirty-Sixth Judicial Circuit. The Hentz School is designed to provide intervention services and divert at-risk youth from being committed to a juvenile detention facility. Until November 1997, the previous Associate Circuit Judge served as the grant administrator. Since November 1997, the Circuit Judge has served as the grant administrator. Funding for the Hentz School operations is obtained mostly through federal and state grant programs.

Expenditures made from the Hentz School Fund during the years ended December 31, 1998 and 1997 included approximately \$130,000 and \$128,000, respectively, to reimburse the Poplar Bluff School District for teachers' salaries. The county did not enter into a written agreement with the school district documenting the services to be provided and the payments to be made from the Hentz School Fund. The county should ensure that written contracts are entered into for significant expenditures. These contracts should be retained and reviewed to ensure that services are provided and payments made comply with the contract terms. In addition, the county did not obtain the required suspension/debarment certification from the school district.

Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, in Part I of the Compliance Supplement, requires that states, and government subrecipients of states, use the same policies and procedures used for procurements from non-federal funds. As a result, contracts for services should comply with Section 432.070, RSMo 1994, which requires all contracts to be in writing. In addition, Circular A-133 requires that contractors receiving individual awards for \$100,000 or more must certify that the organization is not suspended or debarred from participating in federal awards or contracts.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission and the grant administrator ensure that written contracts are entered into and retained to support significant expenditures of grant funds. In addition, the appropriate suspension/debarment certification should be obtained from the school district.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission provided the following response:

We concur with this recommendation and will approve an appropriate contract when negotiated by the grant administrator with the school.

At the request of the Circuit Judge, the Associate Circuit Judge and the Juvenile Officer provided the following response:

The Juvenile Officer will work with the school district to obtain a written agreement if possible. We will request a suspension/debarment status certification from the school district.

98-3. Procurement of Professional Service Contracts
--

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Off-System Bridge Replacement and Rehabilitation Program
Pass-Through Entity	
Identifying Numbers:	BRO-012-18, and STP-9900013
Award Years:	1998 and 1997
Questioned Costs:	Not Applicable

The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Off-System Bridge Replacement and Rehabilitation Program. These projects are 80 percent federally funded.

During our review, we noted the county did not have documentation regarding the consideration of at least three engineering firms for bridge projects BRO 012(18) and STP9900013. The County Clerk indicated the County Commission does not solicit annual statements of qualifications from engineering firms and negotiates contracts without consideration of other qualified firms. Two engineering firms were paid more than \$14,000 during the two years ended December 31, 1998. Because the county did not consider other engineering firms, the county does not have assurance that the engineering fees paid were reasonable.

Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, in Part I of the Compliance Supplement, requires that states, and government subrecipients of states, use the same policies and procedures used for procurements from non-federal funds. As a result, the procurement of services should comply with Sections 8.289 and 8.291, RSMo 1994, which provide that when engineering services for any capital improvement project are obtained, at least three firms should be

considered. Furthermore, any agency of the state or political subdivision thereof that utilizes engineering services shall encourage engineering firms to annually submit a statement of qualifications and performance data. The firms should be evaluated based on specified criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located.

WE RECOMMEND the County Commission obtain the required statutory information when procuring professional services.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission provided the following response:

We will implement a policy in calendar year 2000 in accordance with state law regarding the procurement of engineering services and annual statements of qualifications.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

BUTLER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

BUTLER COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

10. Hentz School

Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Department of Social Services, Division of Youth Services
Federal CFDA Number:	93.667
Program Title:	Social Services Block Grant - Juvenile Court Diversion Program
Pass-Through Entity	
Identifying Numbers:	ERO172060 and ERO172053
Award Years:	1995 and 1996
Questioned Costs:	\$572 and \$5,522

- B. Written contracts were not entered into and maintained for teachers' salaries.
- D. Reimbursement requests were not based on actual expenditures.

Recommendation:

The County Commission work with the Associate Circuit Judge to ensure:

- B. Written contracts are entered into and retained to support significant expenditures of grant funds.
- D. Reimbursement of federal funds is requested in accordance with grant guidelines.

Status:

- B. The county has not entered into a written agreement with the school district.

D. Grant funding is now requested on a reimbursement basis.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

BUTLER COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Butler County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 27, 1999. We also have audited the compliance of Butler County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 27, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Health Center Board is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed those audit reports and the substantiating working papers.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county board referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned

Costs. These findings resulted from our audit of the special-purpose financial statements of Butler County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Budgetary Practices and Published Financial Statements
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The County Clerk and County Commission are responsible for preparing and approving a county budget and publishing an annual financial statement. Prior audit reports have addressed the inadequacy of the county's budgetary practices and published financial statements. This condition has not improved since our last audit. The County Clerk apparently made little effort to ensure that budget documents were accurate and complete or reconciled to the County Treasurer's financial information. Our review of Butler County's 1998 and 1997 budgets and published financial statements revealed many deficiencies as identified below:

- A. Formal budgets were not prepared for various county funds and budgets were not obtained from other county officials for some county funds held outside the county treasury for the years ended December 31, 1998 and 1997. In addition, a separate budget is not prepared for each county fund. For example, combined budgets are prepared for the two Road and Bridge Capital Improvement funds and the three Use Tax funds. Chapter 50, RSMo 1994, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.
- B. The county does not have procedures in place to ensure the county's budget documents are properly prepared and that they accurately present financial activities of the county. Reconciliations between the County Clerk's and County Treasurer's records are not adequate and a thorough review of financial activity presented in the budget is not performed. Although the revenue and expenditure detail is obtained by the County Clerk from his revenue and expenditure ledgers, numerous inaccuracies were noted in the actual information presented in the county's budget documents for 1999 and 1998. These errors included mistakes and typographical errors made when transferring financial information to the budget forms, failure to clear old data from the budget forms, failure to include expenditure transactions made by the County Treasurer and Prosecuting Attorney, and the inclusion of a transfer made and recorded during January 1999 in the 1998 budget. Actual revenues and expenditures were over (under) stated in various budgets prepared by the County Clerk as shown in the following table:

Fund	Year Ending December 31,			
	1998		1997	
	Revenues	Expenditures	Revenues	Expenditures
General Revenue	\$ (145,944)	91,893	49,723	168,193
Special Road and Bridge	N/A	1,687	45,139	68
Assessment	N/A	142	(35,000)	(3,583)
Prosecuting Attorney Training	N/A	1,073	N/A	N/A
Prosecuting Attorney Bad Check	N/A	21	N/A	(1,487)
Law Enforcement Complex	N/A	(145,000)	4,337	N/A
Road and Bridge Capital Improvement-Eastern and Western District	675	(1,052)	55,957	35
Division II Interest	N/A	N/A	1,229	7,897
Summary Totals	\$ (145,269)	(51,236)	121,385	171,123

These errors could have been detected if reconciliations between the County Clerk's and County Treasurer's revenue, expenditure, and cash balances had been performed and if a thorough review of the final budget had been performed by the County Clerk or County Commission. Considering the various errors and omissions noted, the approved budgets did not provide Butler County citizens with reliable information about the county's finances.

Adjustments have been made to the audited financial statements so that information presented reconciles to the County Treasurer's revenue, expenditure, and cash balance totals.

In addition to being required by state law, complete and accurate budgets are essential for the County Commission and County Clerk to evaluate county operations and to project the anticipated needs of the county for the upcoming year. Complete and accurate budgets are also necessary to properly inform the county's citizens about the county's finances.

- C. The county includes an emergency fund budget within the General Revenue Fund's estimated disbursements. Section 50.540.4, RSMo 1994, requires the county to budget an estimate for the emergency fund in an amount equal to at least three percent of total estimated receipts. Although \$62,500 was budgeted for the emergency fund in 1998 and 1997, this amount was insufficient by \$42,600 and \$35,843 in each year, respectively, to meet the required minimum at the time the budgets were prepared. Had the appropriate emergency fund amount been budgeted, the county would not have had a balanced budget for 1997.
- D. Disbursements exceeded the approved budgets for the following funds:

<u>Fund</u>	<u>Year Ended December 31,</u>	
	<u>1998</u>	<u>1997</u>
Law Enforcement Training Fund	7,989	N/A
Prosecuting Attorney Training Fund	N/A	761
Prosecuting Attorney Crime Reduction Fund	9,163	N/A
Prosecuting Attorney Delinquent Tax Fund	203	4,194
Board for the Care of the Handicapped Fund	247,652	N/A
Division of Youth Services - Tracker Fund	5,387	N/A
Division of Youth Services - Hentz School Fund	32,151	N/A
Division of Youth Services - Contingency Probation Management Fund	4,330	N/A
Division I Interest Fund	N/A	144
Division II Interest Fund	N/A	8,133

Although the Board for the Care of the Handicapped approved and budgeted \$350,000 for the construction of a new residential center in 1997, at least \$138,000 of construction costs had not been paid as of December 31, 1997. However, the board did not include in the 1998 budget the remaining construction costs scheduled to be paid during 1998. In addition, the board did not formally budget contract amendments for the residential center construction or increases in funding provided to other not-for-profit organizations during 1998.

The County Clerk prepares quarterly analyses of budgeted and actual expenditures for the General Revenue and Special Road and Bridge funds and these reports are provided to the County Commission; however, budget and actual analysis reports are not prepared for other county funds. As a result, the county does not properly monitor expenditures of the various county funds.

It was ruled in State ex rel. Strong v. Cribb 364 Mo. 1122, 273 SW2d 46(1954), that county officials are required to strictly comply with the county budget laws. If there are valid reasons which necessitate excess disbursements, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo Cum. Supp. 1997, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

E. Our review of the annual financial statement published by the county noted the following concerns:

1. The county's published financial statements are not accurate or complete. Information contained in the published financial statements did not agree to the county's budget information and did not include appropriate revenue and expenditure detail as required by Section 50.800, RSMo 1994. Revenues are not presented by source, expenditure detail is not shown for many county funds, and cash balances do not agree to the Treasurer's records.
2. The annual published financial statements did not include the financial activity of several county funds as required. Section 50.800, RSMo 1994, provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds.

To adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be presented in the level of detail required by law and should be reconciled to the county's financial information.

Chapter 50, RSMo 1994, prescribes the procedures to be used by the county to prepare and approve the annual budget and to publish the county's financial statements. It is important for the county to follow these procedures so they can properly monitor the financial status of the county and keep the residents of the county informed about county operations.

Conditions similar to A, B, D, and E were noted in our prior report. Although the County Commission and County Clerk stated they concurred with our prior recommendations, no corrective action has been taken.

WE RECOMMEND the County Commission:

- A. Ensure financial information for all county funds is included in the budgets and that separate budgets are prepared for each fund.
- B. Ensure the budget document contains complete and accurate information about the county's finances and agrees to the County Treasurer's records. In addition, the County Commission and County Clerk should thoroughly review the budget document before it is finalized and filed with the State Auditor's Office.
- C. Budget the emergency fund in the General Revenue Fund in an amount equal to at least three percent of total estimated receipts in accordance with state law.
- D. And the Board for the Care of the Handicapped and the Division I and Division II courts keep disbursements within the budgetary limits. If additional funds are received which could not be estimated when the budget was adopted, the County

Commission should amend the budget by following the procedures required by state law.

- E. Publish financial statements in accordance with state law and ensure all required financial information for all county funds is reconciled to the county's financial records and properly reported in the annual financial statements.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following responses:

*A,D,
& E. We concur.*

B. The County Clerk performs a monthly reconciliation of receipts, disbursements, and cash balances with the County Treasurer's records. These reconciliations will provide for greater accuracy in the county's budgets.

C. We will ensure we set aside the required three percent emergency budget.

The President of the Board for the Care of the Handicapped provided the following response:

D. I will discuss this issue with the board. The 1998 over expenditure was a one time occurrence that is not likely to happen again. The board thought that since construction expenditures were budgeted in 1997, the remaining construction costs did not require budgeting in 1998.

The Division II Judge provided the following response:

D. The Court Clerk advises me that this problem was recognized and corrected in 1997 and it will not happen again.

2. Property Tax Controls and Procedures
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A. Controls over property tax additions and abatements are not adequate. The County Collector makes manual changes to the tax records for additions and abatements occurring throughout the year. During our review we noted the following concerns:

- Information regarding abatements is communicated to the Collector by the Assessor verbally or through informal notes which are discarded by the Collector after the tax books have been adjusted.
- The County Assessor does not maintain any supporting documentation regarding the abatements and additions that are sent to the County Collector.

- The County Collector prepares court orders for personal property additions and abatements and real estate changes and submits them to the County Clerk for the County Commission's review and approval. However, no subsequent independent review of additions or abatements is performed against the actual changes in the tax books or to the amounts reflected on the County Collector's annual settlement.

Section 137.260, RSMo 1994, requires that the tax book only be changed by the clerk of the county commission under order of the County Commission. Controls should be established so the County Clerk prepares all court orders for additions and abatements from information received directly from the Assessor's Office. Prenumbered addition and abatement forms received directly from, and approved by, the Assessor would allow the County Commission to verify the accuracy of additions and abatements reported by the Collector on his annual settlements.

- B. The County Clerk does not maintain an account book with the County Collector. An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. This account book, prepared by the County Clerk from the tax books, abstracts, court orders, and monthly statements of collections, would enable the County Clerk to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and can be used by the County Commission to verify the County Collector's annual settlements.

Additionally, Section 51.150.1, RSMo 1994, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

- C. The County Assessor obtains the tax rates from the County Collector, and enters them into the computer system and the Collector generates the tax books. The County Clerk does not recalculate, on a test basis, the tax book extensions, page totals, or grand total of the tax books to verify the tax books charged to the County Collector. Sections 137.290 and 140.050, RSMo 1998 Cum. Supp., require the County Clerk to extend tax books and to charge the County Collector with the total amount of the current tax books and the aggregate amount of taxes and fees in the back tax books. The procedures outlined in the statutes for the preparation of the tax books provide a system of checks and balances. Failure to perform reviews of the tax books and test some individual tax bill computations may result in failure to discover errors and irregularities.

Similar conditions were noted in our prior audit report.

WE AGAIN RECOMMEND the County Clerk:

- A. Prepare prenumbered addition and abatement court orders from information received directly from the Assessor's Office and periodically reconcile additions and abatements to changes made to the property tax books. The Assessor should maintain copies of the information that is given to the County Clerk. In addition, the County Commission should review and approve all additions and abatements on a more timely basis.
- B. Establish and maintain an account book of the County Collector's transactions, and the County Commission make use of this account book to verify the County Collector's annual settlements.
- C. Review the tax books for accuracy, test individual tax bills and tax book page totals for accuracy, and document all procedures performed.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following responses:

- A. *Court orders prepared by the County Assessor are now submitted to the County Clerk for the County Commission's review and approval. The County Clerk's Office will consider obtaining prenumbered court orders and will begin reconciling additions and abatements recorded by the County Collector on her monthly settlements.*
- B. *We concur.*
- C. *This recommendation has been implemented for tax year 1999 tax books.*

The Assessor provided the following response:

- A. *We now maintain supporting documentation regarding additions and abatements that are sent to the County Collector for personal property. In addition, we now prepare court orders for the County Clerk to correct errors in real estate assessments. We retain copies of these court orders.*

3.	Collateral Security
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The county does not formally monitor its bank balances to ensure that the county's depository banks pledge sufficient collateral securities. Because the county failed to monitor amounts pledged it did not determine that the depository bank was not including the collector's account when determining the amount of collateral security to pledge. As a result, the amount of collateral security pledged by the county's depository bank as of December 31, 1998 and 1997, was insufficient by approximately \$1,567,000 and \$511,000, respectively, to cover the Collector's funds.

Section 110.020, RSMo 1994, provides that the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation. Inadequate collateral securities leave the county's funds unsecured and subject to loss in the event of a bank failure.

To ensure sufficient collateral securities are pledged, the county should monitor the level of bank activity and notify the depository banks when additional securities need to be pledged.

WE RECOMMEND the County Commission ensure adequate collateral securities are pledged to protect the county's funds. This can be done by monitoring bank activity and providing timely notice to the depository banks of the need for additional collateral securities to be pledged.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will work with the bank and the County Treasurer to ensure the county's cash balances are properly monitored.

The County Treasurer provided the following response:

I will work with the County Collector to ensure that securities pledged by the bank are adequate to fully collateralize the county's deposits. I have begun comparing the fund balances from the Treasurer's fund ledger to pledged securities on a monthly basis.

4.

County Commission Minutes

The County Clerk does not prepare adequate records of the meetings of the County Commission. Items such as bid solicitations and selections, transfers between funds, and various other decisions made by the County Commission are not always documented in the minutes. In addition, the typed minutes are not reviewed and signed by the Presiding Commissioner or an Associate Commissioner in his absence. Finally the minutes are not prepared in a timely manner. The December 1998 minutes were prepared in April 1999.

Section 51.120, RSMo 1994, requires the County Clerk to keep an accurate record of the orders, rules, and proceedings of the County Commission. Timely preparation and approval not only ensures authenticity of official minutes, but allows a review of the contents to ensure that the minutes include all important information regarding the meetings held.

Similar conditions were noted in our two prior reports.

WE AGAIN RECOMMEND the County Commission ensure a complete record of meetings is prepared and approved on a timely basis.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We have implemented this recommendation.

5. Personnel Policies and Procedures

A. Annual leave, sick leave and compensatory time balances are not centrally maintained and are not always compared to monthly employee time sheets to ensure their accuracy. Some leave records are maintained by individual officeholders. However, other officeholders do not maintain leave records adequate to account for employees' accumulated leave balances. We reviewed time sheets for the year ended December 31, 1998 for the employees of the County Clerk's Office. During our review we noted the following discrepancies:

- Overtime worked by the employees of the County Clerk's Office was not always recorded on the employees' time sheets and did not reconcile to the separate leave cards maintained by the office manager.
- One clerk took one more day of vacation than she had earned during the year. However, the same employee allowed over three days of unused compensatory time to lapse at the end of the calendar year.
- Two employees of the County Clerk's Office did not record time worked or leave taken on their time sheets for a total of five regular working days; however, these employees were paid based on their normal salary amount for the month.
- The county pays employees for unused sick leave at the end of each calendar year. There are no formal sick leave records maintained to support the payment of unused sick leave balances.

Reconciling employee time sheets to leave records monthly would ensure that employees' annual leave, sick leave, and compensatory leave time balances are accurate and time sheets properly document hours worked. Centralized leave records would aid in determining the amount the county pays an employee for unused sick leave and final compensation for employees leaving county employment. In addition, such records would better document compliance with the Fair Labor Standards Act.

B. Time sheets are not maintained by the County Clerk's Office for Sheriff Road Deputies, Sheriff Detectives and the Road and Bridge employees. Also, time sheets are not always signed by the employee and the employee's supervisor. Properly

completed time sheets prepared and signed by the employee and approved by the employee's supervisor provide supporting documentation for payroll expenditures.

- C. Three Road and Bridge employees are allowed to use county vehicles to commute to and from work. The County Commission indicated these employees are on-call 24 hours a day for emergency situations.

Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Such logs are not maintained for the highway department vehicles and are not required by the county.

Procedures have not been established to ensure that IRS regulations are followed. As a result, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

- D. Uniform allowances of \$65 a month were paid to the Sheriff and deputies during the two years ended December 31, 1998. The Sheriff and deputies are not required to submit invoices or an itemized expense report to support the allowance, nor are uniform allowances reported on W-2 forms.

IRS Regulations 1.62-2(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments.

Conditions similar to A, C, and D were noted in our two prior reports.

WE RECOMMEND the County Commission:

- A. Require the County Clerk to maintain centralized leave records and ensure those records reconcile to the employees' time sheets.
- B. Ensure time sheets are signed by all employees and the employee's supervisor to provide supporting documentation for payroll expenditures.
- C. Comply with IRS guidelines for reporting fringe benefits related to county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding the appropriate use of county vehicles for commuting purposes.
- D. Require employees to submit invoices or itemized expense reports for uniform allowances or report the payments as other income on the employees' W-2 forms.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will work with the other elected county officials to implement county wide leave records.*
- B&D. *We concur.*
- C. *We will make an effort to obtain documentation of employees' use of county vehicles and establish a written policy.*

6. General Fixed Assets

The County Clerk maintains a computerized inventory listing of general fixed assets held by county officials. Our review of the county general fixed asset records and control procedures indicated that procedures are not adequate to ensure fixed asset purchases and dispositions are properly recorded in the general fixed asset records. Four of the fixed asset purchases tested totaling over \$40,000 were not recorded on the inventory records.

- A. The county does not have formal procedures for disposing of county owned property. Some sold and discarded assets have been marked disposed but are still included in the total asset value on the inventory listing. Written authorization is not consistently obtained from the County Commission for property items disposed of. Currently, when an item is no longer needed or useful, the officeholder or department head will dispose of the property or place the item in storage; however, the County Clerk is not always notified of these actions. As a result, the County Commission and the County Clerk are not always aware of the disposal or possible availability of the items no longer being used.

Written authorization for the disposal of property is necessary to lessen the possibility of misuse and to provide adequate support for changes to the general fixed asset records. Disposed assets must be removed from the inventory listing to ensure county assets are properly valued.

- B. Property records are not maintained in a manner that allows beginning balances, additions, and deletions for each year to be reconciled to balances at the end of each year and property purchases are not reconciled to the additions per the inventory records.
- C. The duties of fixed asset custody and performing inventory counts are not adequately segregated. The County Clerk provides a listing of fixed assets to each officeholder around each year-end. The officeholder (asset custodian) is responsible for conducting the physical inventory of his/her office. Although the County Clerk indicated he performed spot checks to ensure the inventory counts are accurately and

properly performed by the officeholders, there was no documentation of these reviews.

Section 51.155, RSMo 1998 Cum. Supp., requires the County Clerk to keep a continuous annual inventory of each item with an original value of \$250 or more, identified by descriptive name, make and serial number, where appropriate, and a statement of changes in asset balances from the previous year. In addition, adequate general fixed asset records are necessary to secure better internal control over county property and to provide a basis for determining proper insurance coverage.

Similar conditions were noted in our two prior reports.

WE AGAIN RECOMMEND the County Clerk:

- A. Document the County Commission's approval of all property dispositions and remove all disposed assets from the inventory totals in a timely manner.
- B. Maintain fixed asset records in a manner that beginning balances, additions, and deletions can be reconciled to year end balances and reconcile fixed asset purchases per the expenditure records to additions per the inventory records.
- C. Provide an adequate segregation of duties between the custody of fixed assets and the performance of inventory counts.

AUDITEE'S RESPONSE

Due to House Bill No. 402, First Regular Session, 90th General Assembly, which changes the responsibility of accounting for fixed assets as of August 1999, the County Commission provided the following response:

We will work with the new statutes to ensure fixed assets are accounted for in a proper and legal manner.

7.	Documentation of County Expenditures
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We noted instances in which the County Commission approved payments to the Poplar Bluff Chamber of Commerce without requiring or retaining adequate supporting documentation. Donations of \$25,000 and \$5,000 were made to the chamber during the years ended December 31, 1998 and 1997, respectively. In February 1998, an engagement letter/contract was obtained from the chamber indicating that all industrial and economic development needs of the county for 1998 would be handled by the chamber. In February 1997, the county simply received a billing from the chamber for 1997 membership dues. However, there were no further specifications of services to be provided or progress reporting requirements. Failure to provide for specifications of services to be received in the county's contracts could prevent the county from adequately monitoring the actual services received and from determining whether the amount paid was reasonable compared to the services that were rendered.

To ensure the validity and propriety of expenditures, adequate supporting documentation should be obtained for all payments to vendors and contracts should be sufficiently detailed to allow the commission a basis for adequately monitoring the services received and determining whether the amount paid was reasonable compared to the services that were rendered.

WE RECOMMEND the County Commission obtain adequate supporting documentation for all payments to vendors and ensure contracts are sufficiently detailed.

AUDITEE'S RESPONSE

The County Commission provided the following response:

The 1999 contract between the county and the Chamber of Commerce provides greater detail and an Associate Commissioner serves as an Ex Officio member of the chamber's board of directors. Minutes and reports from the board of directors meetings are now filed with the County Commission.

8. Assessment Fund Reimbursements
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Section 137.750, RSMo 1994, allows counties to be reimbursed for a portion of all qualified costs and expenses of the Assessor's Office. The County Clerk does not reconcile assessment reimbursement claims to actual expenditures and does not ensure that the reimbursement claim forms are properly completed and accurately calculated. We noted that corrections were made by the state for various mathematical errors on the claim forms. In addition, during the years ended December 31, 1998 and 1997, the expenses reported by the County Clerk on the claim forms were overstated by approximately \$1,000 and \$3,000, respectively. As a result, the county received excess reimbursements from the state totaling approximately \$500 and \$1,500, respectively. The County Clerk's Office could not determine why the billings were overstated and could not locate expenditure records to support the actual amounts claimed. We noted similar immaterial assessment reimbursement

claim discrepancies in the prior audit which were discussed with the County Clerk and the County Commission; however, it appears improvements have not been made.

WE RECOMMEND the County Clerk contact the State Tax Commission regarding this situation and take appropriate action to correct the overpayments. In addition, the County Commission should ensure assessment reimbursement claims are reconciled to the expenditure records, are properly completed, and accurately calculated.

AUDITEE'S RESPONSE

The County Clerk and the County Commission provided the following response:

We concur.

9. Associate Circuit Division's Accounting Controls and Procedures

	Criminal Account	Civil Account
Reconciled bank balance	\$ 86,943	10,530
December fees paid out in January	(50,388)	(8,737)
Open items	(34,047)	(310)
Interest due to Division II Interest Fund	(96)	(12)
Uncorrected errors	(459)	(5)
Unidentified cash balance	\$ 1,953	1,466

As of December 31, 1998, the Associate Circuit Division's cash balances were \$86,943 and \$10,530 for the Criminal and Civil accounts, respectively. Liabilities were not reconciled to cash balances on a timely basis. Monthly listings of open items (liabilities) were not prepared during the year ended December 31, 1998. However, during the first few months of 1999, open items listings were prepared for each month of 1998 for the Criminal and Civil accounts. Upon preparing these reconciliations, errors and other differences were located; however, proper correcting entries have not been made in a timely manner. The December 31, 1998 open items reconciliations documented the following reconciling items and unidentified differences:

Monthly listings of open items should be prepared and reconciled to the cash balances to ensure the records are in balance and that sufficient cash is available for the payment of all liabilities. Timely adjustments should be made to the accounting records for identified differences and reasons should be determined for unidentified differences. If proper disposition of the unidentified monies cannot be determined, these monies should be disposed of in accordance with unclaimed property statutes.

WE RECOMMEND the Associate Circuit Division prepare a monthly open items listing and reconcile it to the monthly cash records. The Division should determine reasons for all unidentified cash balances, make adjustments to the accounting records for identified differences, and investigate fluctuations in the unidentified balance in a timely manner. After final review, all unidentified balances should be disposed of in accordance with the unclaimed property statutes.

AUDITEE'S RESPONSE

The Associate Circuit Judge provided the following response:

Shortly after I took office, the exit team met with me and made these recommendations. I asked the clerks to implement changes immediately and they are doing so.

10. County Clerk's Accounting Controls and Procedures/Missing Funds
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During our audit of the County Clerk's Office, discrepancies were noted between recorded receipts and amounts transmitted to the County Treasurer. The County Clerk accepts cash, checks, and money orders for payment of notary commissions, auctioneer license fees, liquor license fees, map sales and other miscellaneous receipts. The County Clerk's Office does not maintain a bank account for these fees, but transmits them to the County Treasurer monthly. Transmittals to the County Treasurer exceeded \$2,000 for the two years ended December 31, 1998. The following weaknesses in internal control procedures were noted.

- A. The County Clerk's Office does not have adequate controls in place to ensure the proper safeguarding of county revenue from theft, misuse or loss. Receipts are not issued for all monies received and cash receipts are not transmitted intact to the County Treasurer. For the period January 1, 1997 through December 31, 1998, receipt slips were compared to amounts transmitted and at least \$136 was apparently not transmitted. In addition, the transmittal reports do not indicate which receipts are being remitted, the composition of receipts is not reconciled to the composition of transmittal reports, and a receipt is not obtained from the County Treasurer at the time of the turnover. The County Clerk also indicated that cash receipts are sometimes used to cash personal checks for county employees.

All payments made to the County Clerk's Office are accountable fees and should be remitted to the county treasury. To provide assurance all monies received have been

properly transmitted to the County Treasurer, prenumbered receipt slips should be issued for all monies received, receipts should be transmitted intact, transmittal reports should indicate which receipts are being remitted, and the composition of monies received should be reconciled to the composition of monies transmitted to the County Treasurer. In addition, the County Clerk should discontinue the procedure of cashing personal checks for county employees and should obtain a receipt slip from the County Treasurer at the time of the transmittal.

- B. Checks and money orders are not restrictively endorsed immediately upon receipt. Endorsements are generally applied at the time transmittals are prepared. Restrictively endorsing checks immediately upon receipt will help safeguard assets from loss, misuse or theft.
- C. Accounting duties are not adequately segregated. One clerk is primarily responsible for removing cash receipts from the cash drawer, preparing the monthly transmittal, and turning over fees to the County Treasurer. There is no documentation of an independent review of this clerk's work.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Proper segregation of duties helps provide this assurance. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented review made by the County Clerk.

Conditions similar to A. and B. were noted in our prior report and the County Clerk indicated he concurred with the recommendation and stated he would try to do better. However, no improvements were noted.

WE RECOMMEND the County Clerk:

- A. Establish adequate controls to properly safeguard county revenue from theft, misuse or loss. Issue receipt slips for all monies, transmit monies received intact and obtain a receipt slip from the Treasurer at the time of transmittal. Ensure that transmittals indicate which receipts are included in the transmittal and reconcile the cash, checks, and money orders received to the composition of receipt slips and transmittals. The County Clerk should discontinue the practice of cashing personal checks. In addition, the County Clerk should attempt to recover the missing receipts.
- B. Restrictively endorse all checks and money orders immediately upon receipt.
- C. Adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

The County Clerk provided the following responses:

- A. I will review my office's records and determine necessary actions. I will ensure all monies are receipted and transmitted to the County Treasurer. It has been my policy that personal checks will not be cashed by employees. I will again emphasize this policy with my staff.*
- B. I have implemented this recommendation.*
- C. I will instruct my office manager to review the monthly transmittal and reconcile monies transmitted to receipt slips issued.*

11. County Collector's Accounting Controls and Procedures
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The County Collector's Office collected over \$11 million in property taxes, fees, interest and penalties in each of the two years ended February 28, 1999. Our review of the County Collector's accounting controls and procedures disclosed the following concerns:

- A. The County Collector accepts cash, checks, and money orders for payment of property taxes; however, the method of payment is not marked on the receipts. To properly reconcile receipts to deposits and ensure all monies are being deposited intact, the method of payment should be indicated on all receipts and the composition of receipts should be reconciled to the composition of deposits.
- B. The County Collector does not deposit receipts intact. During our review we noted the following concerns:
 - 1) Monies received for partial payments of property taxes are held in cash in the vault.
 - 2) Receipts were used to cash personal checks for county employees.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact daily or when accumulated receipts exceed \$100 and the deposit slips should indicate which receipts are included in the deposit or should reconcile to the daily abstract reports.

Similar concerns were noted in our prior audit report.

WE AGAIN RECOMMEND the County Collector:

- A. Ensure the method of payment is indicated on all property tax receipts. The cash, checks, and money orders received per the receipts should be reconciled to the composition of bank deposits.

- B. Deposit all monies received for partial payments intact daily and ensure deposit slips indicate which receipts are included in the deposit. In addition, the practice of cashing checks should be discontinued.

AUDITEE'S RESPONSE

The County Collector provided the following responses:

- A. *Due to time pressures experienced by my office during the busy season, it does not seem feasible at this time to record the method of payment on tax receipts.*
- B. *I now issue prenumbered duplicate receipts for all partial payments. Large partial payments are deposited in the miscellaneous account and small partial payments are held in cash in the vault. Cashing checks for county employees in small amounts does not create any record keeping or reconciliation problems for my office.*

12. County Treasurer's Accounting and Banking Procedures

The County Treasurer accounts for the receipts and disbursements of the various county funds and several agency funds. Our review of the County Treasurer's accounting controls and procedures disclosed the following concerns:

- A. As of December 31, 1998, the County Treasurer maintained sixteen checking accounts, three investment accounts, and two certificates of deposit. A large number of accounts causes additional record keeping and increases the likelihood that errors will occur in recording transactions.

Overall efficiency could be improved by reducing the number of accounts and combining funds in as few accounts and investment vehicles as possible. Consolidating existing accounts would also allow funds to be pooled for increased investment opportunities.

- B. Although the County Treasurer compared bank balances to the balances recorded on the check stubs, she did not always formally document bank reconciliations for the county's bank accounts and did not investigate significant differences noted in her reconciliations.

In addition, the County Treasurer did not reconcile the fund ledger balances to the county's bank accounts or to the check stubs. During our review of the County Treasurer's fund ledger, we noted some fund ledger balances did not reconcile to the bank account balances. For example, the December 31, 1998 book balances of the funds maintained in the County Revenue bank account exceeded the reconciled bank account balances by approximately \$5,100. Similar discrepancies have existed in the December 31 bank reconciliations since at least 1995.

Formally documenting bank reconciliations and reconciling the Treasurer's fund ledgers to the bank accounts ensures that the records are in balance and that sufficient cash is available for the payment of all county expenditures. The Treasurer should attempt to determine the reasons for differences between the fund ledger and the bank accounts and the County Commission should be consulted to determine the proper correcting entry for any unexplained differences.

- C. Fifteen county funds are maintained in the County Revenue bank account. Until March 1998, the Treasurer allocated interest earned on the bank account to the three largest funds: General Revenue Fund, Special Road and Bridge Fund, and the Assessment Fund. Beginning in March 1998, the Deputy Treasurer allocated 100 percent of the interest earned to the General Revenue Fund and a review of her work was not performed by the Treasurer.

Section 110.150.2, RSMo Cum. Supp. 1998, and the Missouri Attorney General's Opinion No. 126, 1981 to Antonio; No. 108, 1981 to Busker; No. 148, 1980 to Antonio; and No. 40, 1965 to Owensby, provide the interest on school funds, county hospital and hospital district funds, county library funds, county health center funds, special road and bridge funds, and assessment funds, be placed to the credit of those funds, and the interest on all other funds to the credit of the county's General Revenue Fund.

A condition similar to A. has been reported in our three prior reports.

WE RECOMMEND: the County Treasurer:

- A. Reduce the number of bank accounts maintained.
- B. Perform and adequately document bank reconciliations and reconcile the fund ledger to the county's bank accounts. Investigate and correct identified differences. Finally, consult the County Commission to determine the proper correcting entry for all unexplained differences.
- C. Allocate the interest earned on the County Fund bank account in accordance with the state statutes and various Attorney General opinions.

AUDITEE'S RESPONSE

The County Treasurer provided the following responses:

- A. *I have reduced the number of bank accounts to twelve.*
- B. *I now reconcile the bank statements to the fund ledger and document the reconciliations. The unidentified county fund balance is now only \$290.*

C. *I have implemented this recommendation.*

13. Juvenile Office Accounting Controls and Procedures

The Juvenile Office is responsible for collecting court ordered restitution from juvenile offenders and remitting monies collected to victims. A bank account is not maintained, instead, receipts from each juvenile, in the form of money order or cash, are held in separate envelopes in the Juvenile Office's safe. Two series of receipts are maintained. The first series documents payments received from juveniles and the second series documents restitution picked up by victims. During our review of the Juvenile Office's accounting records and procedures, we noted the following concerns:

- A. The Juvenile Office does not maintain a restitution ledger to account for restitution assessed, collected, and distributed for each case. In addition, documentation maintained in the juvenile restitution case files is not adequate to account for cash balances on hand for each case and does not always include complete documentation of amounts paid to victims. The Juvenile Office generally maintains a card file on each juvenile which documents total restitution due, restitution payments received, restitution balance, and payments to the victim(s). However, these cards were not always prepared in the same format which allowed information to be missing from some cards. In addition, the cards did not indicate receipt slip numbers for restitution disbursed to victims.

Complete documentation of juvenile restitution cases provides a framework for ensuring restitution owed, paid, and distributed to victims is properly accounted for and accurately recorded and that cash balances on hand are sufficient for the payment of all liabilities (amounts due to victims).

- B. Victim receipt slips did not always indicate the case number or the applicable juvenile's name. As a result, some distributions could not be related to applicable cases. In addition, distributions to victims sometimes included monies from more than one juvenile and the case numbers or juvenile names and amount associated with each case were not documented on the receipt slip.

To provide adequate documentation that distributions to victims are proper, the juvenile name or case number should be recorded on the victim's receipt slip. In addition, if the distribution is for payments received from multiple juveniles, the victim's receipt slip should indicate which juveniles or cases were included in the distribution and how much of the distribution relates to each juvenile.

- C. The payee information on many of the money orders on hand was blank and the Juvenile Office did not appear to have consistent procedures to ensure monies were distributed in a timely manner. As of January 21, 1999 we noted that \$440 had been

held longer than two weeks and some receipts on hand dated back to September, 1998.

Retaining cash or money orders with incomplete payee information and failure to distribute restitution in a timely manner increases the risk of loss or theft.

- D. Cash balances on hand were not reconciled to records of amounts owed to victims. Monthly reconciliations provide assurance that the records are in balance and are necessary to ensure that all receipts and disbursements are properly accounted for and that cash balances can be properly identified to appropriate liabilities and other reconciling items.
- E. The duties of receiving, recording, and custody of juvenile office restitution receipts are not adequately segregated. One clerk performs these duties.

To safeguard against possible loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and maintaining custody of restitution receipts from that of recording receipts, and by designating someone independent of the receipting and disbursement process to perform a reconciliation of monies on hand to case file cards and other case records. If proper segregation of duties cannot be achieved, at a minimum the Juvenile Officer should periodically supervise the reconciliations between receipts on hand and the case file records and document the results of her review.

WE RECOMMEND: the Juvenile Office:

- A. Maintain a restitution ledger to ensure complete documentation of juvenile restitution activity including but not limited to: juvenile and victim names, amount of restitution ordered and due to each victim, restitution payments received (including receipt date and number), balance of restitution due from the juvenile, distributions to victims (including receipt date and number), balance due to each victim, and the balance of cash on hand.
- B. Record the juvenile name(s) and case number(s) on victim receipt slips.
- C. Ensure the payee information is properly completed for all money orders on hand and distribute restitution to victims in a timely manner.
- D. Reconcile cash balances on hand to amounts owed to victims.
- E. Adequately segregate accounting duties to the extent possible to provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If duties cannot be adequately segregated, at a minimum, there should

be a documented supervisory review to ensure receipts agree to amounts posted to case files and to ensure the open items lists agree to monies on hand.

AUDITEE'S RESPONSE

At the request of the Circuit Judge, the Associate Circuit Judge and the Juvenile Officer provided the following responses:

- A. After the exit team met with the Circuit Judge, he met with the Juvenile Officer and the exit team's recommendations have been implemented.*
- B&D. These recommendations have been implemented.*
- C. We now distribute partial payment restitution to victims on a monthly basis. Restitution paid in full is now distributed to victims as soon as possible after it is received.*
- E. The Circuit Judge instructed the Juvenile Officer to segregate the duties of accounting for restitution. Since that time, the duties of receiving are performed by the front desk clerks and disbursing and reconciling the cash on hand is the responsibility of the Juvenile Officer and the Head Clerk.*

14. Probate Division's Accounting Controls and Procedures
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As of December 31, 1998, the Probate Division's cash balances were \$1,787 and \$16,241 in the Probate and Dissolution accounts, respectively. The Probate Division issues one-write receipt slips, records receipts on a monthly cash control ledger, maintains case fee sheets for open cases and maintains an open case ledger that documents the amounts received and disbursed and the open cash balance for each case. During our review of the open items listings we noted the following concerns:

- A.** Monthly listings of open items are not prepared for the Dissolution account, instead the open case ledger is maintained and cases are lined out when disbursed. As of December 31, 1998, the Probate and Dissolution cash balances included unidentified monies totaling approximately \$622 and \$416, respectively. The difference between the reconciled cash balance and the open case ledger fluctuated each month. Fluctuations in the unidentified balance indicate a recording error occurred in the current month; however, the Probate Division did not properly investigate and correct these errors.
- B.** Case fee sheet totals and the open case ledger are not reconciled to the one-write on a monthly basis to ensure accuracy. Proper reconciliation between the one-write, the open case ledger, and the case fee sheets may assist in reconciling the cash balance to the open items listing.

Monthly listings of open items should be properly prepared and reconciled to cash balances for each account to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Further, the Probate Clerk should attempt to determine the reasons for the differences noted and if proper disposition of the unidentified monies cannot be determined, these monies should be disposed of in accordance with state law.

WE RECOMMEND the Probate Division:

- A. Prepare monthly open items listings for the Dissolution account, determine reasons for all unidentified cash balances and investigate fluctuations in the unidentified balance. After final review, all unidentified balances should be disposed of in accordance with the unclaimed property statutes.
- B. Reconcile case fee sheets to the open case ledger and the one-write on a monthly basis.

AUDITEE'S RESPONSE

The Probate Judge and Probate Clerk provided the following responses:

- A. *We plan to prepare a formal open items listing twice a year and will try to prepare them more often if possible.*
- B. *We will implement this recommendation.*

15. Prosecuting Attorney's Accounting Controls and Procedures
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Prior audit reports have addressed the inadequacy of the Prosecuting Attorney's accounting controls and procedures. These conditions have not improved since 1994. The current Prosecuting Attorney, who took office in January 1999, has purchased a new software system to account for the bad check collection efforts; however, controls and procedures related to the collection of restitution and fees and the ultimate dispositions of monies received in trust have not been improved.

The Prosecuting Attorney's Office collected court-ordered restitution, bad check restitution, and bad check collection fees totaling at least \$219,000 during the two years ended December 31, 1998.

Court-ordered restitution payments are deposited to the Prosecuting Attorney's Restitution Fund checking account and checks are issued for the distribution of this restitution. The majority of the bad check restitution is received in the form of money orders made payable directly to the victims and is not deposited, instead, these money orders are forwarded directly to the plaintiffs. Periodic payments are allowed for some bad check cases and these receipts are deposited into the Prosecuting Attorney's Bad Check Restitution Account. Bad

check collection fees are received in the form of money orders made payable to the Butler County Prosecuting Attorney and are transmitted directly to the County Treasurer for deposit in the Prosecuting Attorney's Bad Check Fund. Our review of the records and procedures related to the Prosecuting Attorney's bank accounts revealed the following concerns:

- A. Accounting and bookkeeping duties are not adequately segregated. One individual, with the assistance of a part time clerk, is responsible for receiving, recording, depositing, and transmitting monies for both restitution accounts. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. At a minimum, there should be a documented review made by a supervisor.
- B. The Prosecuting Attorney's procedure for issuing receipt slips does not provide adequate documentation of monies received by the office. During our review, the receipt slip book could not be located. In addition, the composition of receipts is not reconciled to the composition of deposits. Receipt slips are usually issued only when cash payments are received or when the person making payment requests a receipt.

Prenumbered receipt slips should be issued for all money received and their numerical sequence accounted for to help ensure all monies are recorded and properly handled. To ensure all monies are being deposited intact, the method of payment should be recorded on receipt slips and cash, checks, and money orders received should be reconciled to the composition of monies deposited.

- C. Checks and money orders received are not restrictively endorsed immediately upon receipt and are not kept in a secure location until the time of deposit or transmittal to the County Treasurer and/or a merchant. Endorsements are applied at the time deposits are prepared. To adequately safeguard receipts, all checks to be deposited in the Prosecuting Attorney's bank accounts or remitted to the County Treasurer should be restrictively endorsed immediately upon receipt and kept in a secure location until deposited or transmitted. In addition, all checks and money orders made payable to merchants should be promptly forwarded to the merchant.
- D. Bad check and court-ordered restitution payments and fees are not deposited in the Prosecuting Attorney's bank accounts or transmitted to the County Treasurer on a timely basis. Deposits/transmittals are made approximately once a week regardless of when received or the amounts on hand. In addition, a transmittal listing or other documentation of items turned over to the County Treasurer is not maintained.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited or transmitted to the County Treasurer daily or when accumulated receipts exceed \$100. In addition, a transmittal listing of items

remitted to the County Treasurer should be prepared and a copy should be retained by the Prosecuting Attorney.

- E. Court-ordered restitution and bad check collections received and disbursed are not receipted or recorded in a cash control. The Prosecuting Attorney does not maintain an accurate record of deposits and cash balances in the check registers of the restitution bank accounts. We noted that the clerk periodically adjusts the balance in the check register to the bank balance less checks issued in the current month which remain outstanding. As a result, adequate monthly bank reconciliations cannot be performed to ensure that the bank balances reconcile to monies held in trust.

The Prosecuting Attorney's Office should prepare an accurate cash control ledger or other record of all receipts and disbursements and periodic cash balances. A cash control ledger is necessary to provide summary financial information, more readily account for numerical sequence of receipt slips and checks issued, and facilitate reconciliation with bank account balances. Because the Prosecuting Attorney does not maintain a cash control ledger and because some monies are remitted directly to the plaintiff or County Treasurer, the Prosecuting Attorney could not determine the amount of restitution revenues received by the Prosecuting Attorney's Office and is not able to determine if the monies received were properly handled and remitted to the appropriate parties.

- F. An adequate system to account for all bad checks received as well as the subsequent disposition of these bad checks has not been established. No record is maintained by the Prosecuting Attorney to account for all bad checks turned over to his office for collection. Currently, Butler County merchants prepare an unnumbered complaint form which is submitted with the bad check.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form received and a log should be maintained showing each bad check and its disposition. The log should contain information such as the assigned complaint number, the merchant, the issuer of the check, the amount of the check, the amount of the bad check fee, and the disposition of the bad check, including the date payment was received and transmitted to the merchant and County Treasurer or the criminal case number in which charges were filed or other disposition.

- G. Monthly listings of open items (liabilities) are not prepared and, consequently, open items are not reconciled with cash balances. As a result, the Prosecuting Attorney's reconciled bank balances totaling \$3,101 in the Prosecuting Attorney Restitution Fund and \$13,838 in the Prosecuting Attorney Bad Check Restitution Account at December 31, 1998 were unidentified. The unidentified cash balance has increased significantly since December 31, 1996. The unidentified balances of the two accounts were \$2,373 and \$7,453, respectively at December 31, 1996.

Monthly listings of open items are necessary to ensure the proper disposition of cash balances. The periodic reconciliation of liabilities with the cash balance provides assurance that the records are in balance and that sufficient cash is available for payment of all liabilities. Timely reconciliations are necessary and helpful in the investigation of differences.

- H. The Prosecuting Attorney has not established a formal policy specifying when the court should be notified of unpaid cases. In addition, specific procedures have not been established to ensure follow up collection efforts are adequate. During our review of court-ordered restitution and bad check restitution case files, we noted that collection procedures and efforts are not always made timely and that there is no clear policy of follow-up collection efforts to be taken or timing of the efforts.

The Prosecuting Attorney should establish written procedures for collecting delinquent unpaid restitution and fees. Such procedures should consist of generating periodic reports of cases with balances due and follow up on those for which payments are not being made. In addition, information regarding cases with delinquent payments and significant balances due should be regularly provided to the Prosecuting Attorney for review and assessment of follow-up collection efforts or other court action which may be necessary.

Conditions similar to A-G. were noted in our two prior reports.

WE AGAIN RECOMMEND the Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the work performed.
- B. Issue prenumbered receipt slips for all monies received, account for the numerical sequence of receipt slips, reconcile cash, checks, and money orders received to the composition of bank deposits and ensure all records are retained in accordance with state law.
- C. Restrictively endorse checks and money orders made payable to the Prosecuting Attorney immediately upon receipt and forward checks and money orders made payable to merchants promptly. In addition, receipts should be kept in a secure location until deposited or transmitted.
- D. Deposit or transmit restitution and bad check fees daily or when accumulated receipts exceed \$100 and retain a listing documenting the monies that were transmitted or deposited.
- E. Record all receipts, disbursements, and cash balances on a cash control ledger and reconcile monthly bank balances to monies held in trust.

- F. Implement procedures to adequately account for bad checks received as well as the ultimate disposition through the use of sequential numbers assigned to each bad check complaint form and a log to account for the numerical sequence and ultimate disposition of each bad check.
- G. Prepare a monthly listing of open items and reconcile it to the cash balance. An attempt should be made to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.
- H. Maintain a complete and accurate listing of delinquent unpaid court ordered restitution and bad check restitution and fees. In addition, written procedures should be established and implemented for pursuing the collection of such delinquent amounts.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. *The Administrative Assistant now receipts, records, and disburses criminal court-ordered restitution monies. However, the bank reconciliation is performed by an independent person. A part time clerk assists in the bad check receiving duties and also prepares the monthly bank reconciliation. Due to limitations in staffing and the volume of work handled by the bad check clerks, it does not appear feasible at this time to perform further segregation of bad check and court-ordered bad check duties. I will consider requiring an independent review of the bad check bank reconciliations.*
- B. *Prenumbered one-write receipt slips are now issued for criminal court-ordered restitution receipts. Due to the volume of transactions handled and time constraints involved, it does not seem feasible at this time to issue receipt slips for bad check restitution receipts. We have obtained a better computer system and have improved record keeping for bad check and court-ordered bad check restitution.*
- C. *Criminal court-ordered restitution payments are now endorsed daily. Court-ordered bad check restitution payments are deposited two or three times a week and are endorsed at the time the deposit is prepared. Payments for bad check fees are endorsed with a county stamp as the mail is opened. Receipts are maintained in the bad-check clerk's office which is locked when not attended.*
- D. *Criminal court-ordered restitution payments are now deposited daily. Bad check restitution and bad check fees are remitted to the vendors and the County Treasurer at least two times per week. A transmittal listing of bad check fees is prepared and a copy is provided to the County Treasurer.*

- E. *A cash control is now maintained for criminal court-ordered restitution. Monthly balances are determined and reconciled with the bank. Beginning August 1999, a ledger of open items is maintained for court-ordered bad check restitution. We plan to use this ledger to reconcile to the bank.*
- F. *Bad checks received from vendors are entered in the new computer system. The system assigns a case number for each bad check and has the capability to provide reports to account for all bad checks received.*
- G. *Monthly open items listings are prepared for the criminal court-ordered restitution and the remaining unidentified balances will be disbursed in accordance with state law. We are working on preparing an accurate open items listing for bad check restitution.*
- H. *A written policy has been established for criminal court-ordered restitution. Bad check cases are reviewed for necessary action once a month.*

16. Sheriff's Accounting Controls and Procedures

The Sheriff's department is responsible for collecting incarceration costs billed to other political subdivisions, civil and criminal process fees, garnishment payments and fees, gun permit fees and cash bonds. Incarceration reimbursements, civil, criminal, garnishment, and gun permit fees are deposited to the Sheriff's fee account and remitted to the County Treasurer monthly. Garnishment payments are deposited to the fee account and are issued to the garnishor upon receipt. Cash bonds are deposited to the bond checking account and are remitted to the appropriate court upon receipt.

- A. The duties of receipting, recording, disbursing, and reconciling the fee account and bond account financial records are not adequately segregated. One employee receipts some monies that are deposited to the fee account, disburses some monies from the fee account, and performs the monthly bank reconciliation for the fee account. The same employee prepares deposits, disbursements, and bank reconciliations for the bond account. In addition, the numerical sequence of bond receipt slips is not accounted for or reconciled to deposits by an independent person.

To safeguard against possible loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving, recording, disbursing, and reconciling cash. If the duties cannot be adequately segregated, at a minimum, there should be a supervisory review of reconciliations between receipts and deposits and an independent review of bank reconciliations.

- B. Our review of cash receipting and depositing procedures revealed the following concerns:

1. Receipt slips are not always issued for bond monies received. In November and December 1998 we noted two different bonds totaling \$500 which were deposited but not receipted. To adequately account for all receipts, prenumbered receipt slips should be issued for all monies received and the numerical sequence should be accounted for properly.
 2. Checks and money orders received and deposited in the fee account for civil and criminal fees are not endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- C. Monthly listings of open items (liabilities) are not prepared for the fee account. Consequently, liabilities are not reconciled with cash balances. Monthly listings of open items should be prepared and reconciled to the cash balances to ensure the records are in balance and that sufficient cash is available for the payment of all liabilities.
- D. The Sheriff has not established a formal policy for follow up collection efforts for unpaid incarceration costs billed to other political subdivisions. A corrections officer tracks and bills incarceration costs incurred by other political subdivisions. Payments from the political subdivisions are received and deposited by the Sheriff's civil/criminal clerk. A copy of the billing is not provided to the civil/criminal clerk so that additional billings or follow up can be performed for unpaid billings. However, the civil/criminal clerk makes a copy of the check for the corrections officer. These checks are supposed to be matched with the billing letter by the corrections officer and the billing letter is to be removed from a pending file and placed in a paid file. However, our review of the corrections officer's billing file revealed that five billing letters in the unpaid billing folder totaling over \$10,800 had been paid but not removed from the folder.

To adequately account for all incarceration billings due and to maximize county revenues, adequate summary records of amounts due should be maintained. In addition, the Sheriff should establish written procedures for collecting delinquent incarceration billings. Such procedures should consist of generating periodic reports of billings with balances due and follow up on those for which payments have not been received.

- E. Gun permit fees are deposited to the fee account daily and remitted to the County Treasurer on a monthly basis; however, the monies received are not included on the Sheriff's monthly report of fees which is filed with the County Commission. Section 50.370, RSMo 1994, requires that an itemized and accurate list of fees collected be filed by county officials with the County Commission monthly.

- F. The duties related to seized property are not adequately segregated. One deputy is responsible for both the custody and the record-keeping functions related to seized property. Periodic independent inventories of seized property on hand and the evidence log book are not performed. Properly segregating duties decreases the risk of loss, misuse, or theft of seized property.
- G. Due to concerns noted on the inmate and commissary accounts, a special review is being performed of these areas.

Conditions similar to A., C., E., and F., were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Segregate the duties of receipting, recording, disbursing, and reconciling cash. There should be a supervisory review of reconciliations between receipts and deposits and bank reconciliations should be reviewed and signed by the Sheriff or another designated individual independent of cash duties.
- B.1. Issue prenumbered receipt slips for bond monies immediately upon receipt and account for their numerical sequence.
 - 2. Restrictively endorse checks and money orders immediately upon receipt.
- C. Prepare a monthly listing of open items and reconcile it to the fee account cash balance.
- D. Maintain a complete and accurate listing of delinquent incarceration billings. In addition, written procedures should be established and implemented for pursuing the collections of such delinquent amounts.
- E. Ensure all fees collected are reported to the County Commission on a monthly basis in accordance with state law.
- F. Segregate the duties of custody and record-keeping related to seized property or provide for periodic independent inventories of seized property and the evidence log book.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *I now review the monthly bank reconciliations. Receipt slip numbers are recorded on the deposit slips and are accounted for as deposits are prepared.*

B&E. We have implemented these recommendations.

- C. We now prepare monthly listings of open items and are working on reconciliations to the cash balance.*
- D. I will establish procedures to pursue collection of incarceration billings.*
- F. I will ensure quarterly inventory spot checks are performed.*

This report is intended for the information of the management of Butler County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

BUTLER COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Butler County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1996. (Finding numbers 10.B. and 10.D. are omitted since the related follow-up appears in an earlier section of this report). The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Budgetary Practices

- A. Warrants were issued in excess of approved budgeted expenditures.
- B. The County Commission did not have effective controls over purchasing procedures and did not effectively monitor county budgets and their operations. As a result, the Sheriff's department had expended approximately 87 percent of the 1997 budget as of mid August.
- C. Formal budgets were not prepared and filed with the State Auditor's Office for a number of county funds. Financial information was not obtained for several funds held by various county officials.
- D. Budgets prepared by the County Clerk and approved by the County Commission were not accurate.
- E. The County Clerk did not maintain a listing of outstanding warrants.

Recommendation:

The County Commission:

- A. Not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.
- B. Work with the Sheriff to ensure expenditures do not exceed budget. The County Commission should consider implementing a purchasing system so that each budget and its related expenditures can be closely monitored.
- C. Ensure that budgets are prepared or obtained for all county funds in accordance with state law.

- D. Ensure budget documents are accurate and complete. To detect errors and inaccuracies in budget data, the County Clerk should perform reconciliations of revenues, expenditures, and cash balance with the County Treasurer.
- E. Require the County Clerk to prepare an outstanding warrant listing at December 31 of each year and reconcile the list to warrants issued and warrants paid.

Status:

A., B.,
C., D. Not implemented. See MAR No. 1.

- E. Partially implemented. The County Clerk prepared listings of outstanding warrants for some funds as of December 31, 1997. As of March 1998, the county no longer uses a warrant system and as a result, listings of outstanding warrants are no longer necessary.

2. Published Financial Statements

The financial statements published by the County Clerk were not accurate and did not contain all necessary information.

Recommendation:

The County Commission ensure the county's published financial statements are accurate and complete.

Status:

Not implemented. See MAR No. 1.

3. County Banking Procedures

The County Treasurer maintained numerous bank accounts.

Recommendation:

The County Treasurer reduce the number of bank accounts maintained.

Status:

Not implemented. See MAR No. 12.

4. Property Tax Controls

- A. Court orders were not prepared and approved for all tax additions and abatements. The County Commission did not review or approve court orders and no independent review was performed of changes made by the County Collector to the printed tax books.

- B. The County Clerk did not maintain an account book with the County Collector.
- C. The County Clerk did not prepare the current or back tax book and did not perform any procedures to verify the accuracy of the printed tax books. As a result, a school levy was incorrectly extended in 1995.

Recommendation:

The County Clerk:

- A. Prepare prenumbered addition and abatement court orders from information received directly from the Assessor's Office and periodically reconcile additions and abatements to changes made to the property tax books. In addition, the County Commission should review and approve all additions and abatements on a more timely basis.
- B. Establish and maintain an account book of the County Collector's transactions, and the County Commission make use of this account book to verify the County Collector's annual settlements and to verify the accuracy of the aggregate abstract reports.
- C. Verify the totals of the current and back tax books for accuracy and document the procedures performed. The County Clerk should also work with the collector to correct the erroneous collection for the school district.

Status:

A.-C. Not implemented. See MAR No. 2.

5. County Officials' Compensation

Adequate documentation was not retained to substantiate the reasons or calculations for increases in some county officials' salaries. Salary commission minutes did not clearly indicate the actual amounts to be paid.

Recommendation:

The County Commission ensure future salary commission minutes clearly document the amounts to be paid to each official, how the amounts were calculated, and when increases in compensation will take effect for each official.

Status:

Partially implemented. The 1997 minutes clearly indicated the salary amounts and effective dates of salaries voted on at that meeting. However, the county did not obtain a written Prosecuting Attorney's opinion on the legality of certain issues discussed and included in the salary calculations. Although not repeated in our current report, our recommendation remains as stated above.

6. County Commission Minutes

The County Clerk did not prepare adequate records of the County Commission meetings.

Recommendation:

The County Commission ensure a complete record of meetings is prepared and approved on a timely basis.

Status:

Not implemented. See MAR No. 4.

7. County Expenditures and Bidding

- A. Adequate supporting documentation was not maintained for several expenditures.
- B. Bidding was not performed or documentation of bidding was not maintained for various items. In addition, a construction change order exceeding \$150,000 was issued for work that was not included in the scope of the original project and the County Commission did not always competitively negotiate service contracts for professional services. Finally, the commission minutes did not always document the basis and justification for awarding bids or purchasing items as sole source.
- C. The County Commission approved some expenditures without requiring approval from the elected official and invoices were not always canceled when paid.
- D. The County did not issue Forms 1099-Miscellaneous.

Recommendation:

The County Commission:

- A. Maintain vendor invoices or other supporting documentation for all expenditures.
- B. Solicit bids for all purchases in accordance with state law and competitively negotiate service contracts for professional services. Documentation of bids solicited and justification of bid awards should be retained by the County Clerk. If bids cannot be obtained and sole source procurement is necessary, the official minutes should reflect the necessitating circumstances. In addition, construction change orders should be approved only for work within the original scope of the project.
- C. Require documented approval for purchase by the appropriate elected official and acknowledgment of receipt of goods and/or services prior to payment and ensure paid invoices are canceled when paid.
- D. Ensure payments totaling greater than \$600 to nonemployees and unincorporated businesses are reported to the Internal Revenue Service.

Status:

- A. Partially implemented. While vendor invoices were generally maintained, the county paid \$30,000 to the Poplar Bluff Chamber of Commerce without obtaining a detailed contract or other documentation sufficient to determine if the amount paid was reasonable compared to the services rendered. See MAR No. 7.
- B. Partially implemented. It appears that the County Commission generally bids items over \$4,500 in accordance with state law. However, the County Commission did not ensure that sufficient documentation of the justification of bid awards and sole-source purchases was maintained in all applicable circumstances. In addition, the County Commission did not competitively negotiate service contracts for professional services. See finding number 98-3.
- C. Partially implemented. Invoices now appear to be canceled when paid; however, we noted a few instances when documented approval by the elected official and an indication of the receipt of goods and services was not obtained. Although not repeated in our current report, our recommendation remains as stated above.
- D. Implemented.

8. General Fixed Assets

- A. The county did not have formal procedures for disposing of county-owned property.
- B. Property records were not adequately maintained and beginning balances were not reconciled with ending balances.
- C. Fixed assets listings were not adjusted after year end inventories were performed.

Recommendation:

The County Clerk:

- A. Document the County Commission's approval of all property dispositions and remove all disposed assets from the inventory totals in a timely basis.
- B. Maintain fixed asset records in a manner that beginning balances, additions, and deletions can be reconciled to year end balances and reconcile fixed asset purchases per the expenditure records to additions per the inventory records.
- C. Review and verify physical inventories of county property and use the results to adjust the fixed asset records.

Status:

A.-C. Not implemented. See MAR No. 6.

9. Personnel Procedures

- A. The Sheriff's son-in-law was appointed as a reserve deputy.
- B. County road and bridge employees were allowed to commute in county-owned vehicles and detailed logs documenting vehicle usage were not maintained.
- C. Supporting documentation was not submitted for uniform expenses and the allowances were not reported on the Sheriff's and deputies' W-2 forms.
- D. Leave balances were not maintained by the County Clerk.

Recommendation:

The County Commission:

- A. Work with the county officials to ensure all future appointments are appropriate.
- B. Comply with IRS guidelines for reporting fringe benefits related to county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding the appropriate use of county vehicles for commuting purposes.
- C. Require employees to submit invoices or itemized expense reports for uniform allowances or report the payments as other income on the employees' W-2 forms.
- D. Require the County Clerk to maintain centralized leave records.

Status:

- A. Implemented. A new sheriff took office in 1997.
- B.-D. Not implemented. See MAR No. 5.

10. Hentz School

- A. Supporting documentation was not maintained for expenditures made during the period January 1, 1995 through September 30, 1996.
- C. Supporting documentation was not maintained for reimbursements to the judge for purchases he made on behalf of the school using personal funds. A used video camera was purchased by the school from the judge without following proper statutory procedures regarding public notice and without obtaining documentation of the fair market value of the camera.
- E. Formal bank reconciliations were not always performed.
- F. The Hentz School bank account and its transactions were maintained outside the county treasury and budgets were not prepared and submitted to the County Commission.
- G. The Hentz School did not establish an adequate fixed asset listing.

Recommendation:

The County Commission work with the Associate Circuit Judge to ensure:

- A. Adequate supporting documentation is maintained to support all grant expenditures. The County Commission and the Judge should work with the DYS to resolve the federal questioned costs presented on Schedule 2 and the remaining grant funding provided by the state.
- C. The appearance of impropriety between related parties is avoided and all transactions are conducted in accordance with state law, adequately documented, and the value of items is determined prior to purchase so the public has assurance that no official or agent profited improperly.
- E. Formal monthly bank reconciliations are prepared.
- F. Hentz School grant monies and future grant proceeds are transferred to the County Treasurer for credit into a separate fund. Funds should be budgeted in accordance with state law and expenditures made based on the grant administrator's approval through the county's normal expenditures system.
- G. Prenumbered inventory tags that label each item as county property are attached to all property and equipment purchased with grant funds. Require general fixed asset records be maintained to include information as to the type of each item, an identifiable number, the serial number or model number when available, the date purchased, and original cost or estimated value if the original cost is not known, physical location, and date and method of disposition.

Status:

- A. Implemented. The Juvenile Office maintains records for the Hentz School program and the former Judge and the Hentz School have worked with the Division of Youth Services (DYS) to determine which grant expenditures are allowable. It was determined that over \$30,000 paid to the Hentz School by the DYS was unallowable, and the school has reimbursed the state for those costs that were disallowed.
- C. Mr. Clark is no longer the Associate Circuit Judge and does not handle the grant monies. The grant funds are now held by the County Treasurer and grant expenditures are approved by the County Commission and are made through the county's normal disbursement procedures.
- E. Implemented.
- F. Implemented. Although budgets were not prepared for calendar year 1997 or the period covering January 1998 through May 1998, a budget was prepared and submitted to the county for the period covering June 1998 through December 1998. The budget was submitted at the same time the remaining grant funding was remitted to the County Treasurer's custody. Expenditures are now processed by the County Clerk through the county's normal procedures.

- G. Partially implemented. Prenumbered inventory tags were purchased and placed on fixed assets that were purchased with grant funds. A listing of all inventory that was tagged was prepared; however the listing did not include the date of purchase, the original cost, and the current location of the items. Although not repeated in our current report, our recommendation remains as stated above.

11. Sheriff's Commissary

- A1. Monies received from (or for) inmates were held in cash and were used to cash personal checks from employees and pay office expenses until the Sheriff began depositing inmate funds in the commissary revenue account. In addition, the inmate account ledger was not reconciled to the cash balance on hand.
 - 2. The inmate account was not reconciled to the inmate account ledger.
 - 3. Inmates were allowed to carry negative balances and bank charges incurred by the inmate account were not reimbursed from county funds.
- B1. Commissary inventory records were inadequate to account for inventory transactions and balances.
 - 2. Periodic physical inventory counts were not performed.
 - 3. Inventory prices were not marked up to ensure adequate profit was received.

Recommendation:

The Sheriff:

- A1. Deposit monies held in trust for prisoners to the inmate trust account intact daily or when accumulated receipts exceed \$100. In addition, inmate funds should be used only for the inmates' benefit at the inmates' directions.
 - 2. Reconcile the inmate account ledger to the inmate account at least monthly and investigate and resolve all errors and discrepancies in a timely manner.
 - 3. Discontinue the practice of allowing inmates' accounts to carry negative balances and seek reimbursement from the commissary sales revenue account for all bank charges incurred on the inmate monies bank account.
- B1. Maintain perpetual inventory records and adequate supporting documentation to account for commissary merchandise including balances for each item, purchases, sales, credits, and other uses of inventory.
 - 2. Ensure a periodic physical count of inventory is performed at least monthly by an employee independent of daily commissary operations. The results of that inventory should be compared to the inventory records and discrepancies should be investigated in a timely manner.

3. Establish a formal policy to regulate the mark up of commissary inventory. In addition, the Sheriff's department should formally monitor the commissary revenues and cost of goods sold to ensure an adequate profit is received from the operations of the commissary.

Status:

See MAR No. 16.

12. Federal Financial Assistance

- A. Reimbursement reports filed with the grantor agencies were inaccurate for the COPS Fast and the DARE grants.
- B. Binoculars obtained from the Department of Defense - federal surplus property program could not be located and were not properly listed on the property records.

Recommendation:

The County Commission:

- A. Work with the appropriate officials to ensure grant reports/reimbursement requests required to be filed with the grantor agency are made in accordance with grant guidelines and that the reports present accurate information regarding program expenditures, local match provided, and other required data.
- B. Work with the Department of Public Safety to resolve the questioned costs presented on Schedule 2. Locate all remaining binoculars and include them on the county's fixed asset records. In addition, ensure any future assets are properly included on the county's asset records and the disposition is properly documented.

Status:

- A. Implemented.
- B. Partially implemented. The Sheriff's department has prepared a complete listing of inventory that can be located; however, some inventory items (including several of the binoculars) could not be located when the new administration assumed its duties in December 1997. In addition, the Sheriff's department has not contacted the Department of Public Safety to resolve the questioned costs presented in Schedule 2 of our prior report. Although not repeated in our current report, our recommendation remains as stated above.

13. County Collector's Accounting Controls and Procedures

- A. The method of payment was not indicated on receipt slips and prenumbered receipt slips were not issued for duplicate tax receipts.

- B. The Collector did not deposit receipts intact. Daily cash receipts were used for change funds, for refunds, and to redeem non-sufficient fund checks from the bank.
- C. The Collector did not distribute interest properly or on a timely basis.

Recommendation:

The County Collector:

- A. Issue prenumbered receipt slips for duplicate tax statements and ensure the method of payment is indicated on all property tax receipts. The cash, checks, and money orders received per the receipts should be reconciled to the composition of bank deposits.
- B. Deposit all monies received intact daily and ensure deposit slips indicate which receipts are included in the deposit. If a change fund is needed, it should be maintained at an established amount and should not be obtained from tax revenues. In addition, the practice of cashing checks should be discontinued.
- C. Allocate interest on a timely basis in accordance with state statutes and Attorney General's opinions.

Status:

- A. Not implemented. See MAR No. 11.
- B. Partially implemented. As of March 1, 1999 the new collector took office and began depositing receipts daily and documenting the receipt numbers being deposited for the day. She has also obtained a change fund from the County Commission which is maintained at its established amount. However, the new collector has not discontinued the practice of cashing personal checks for county employees. See MAR No. 11.
- C. Implemented.

14. County Clerk's Accounting Controls and Procedures

- A. Receipt slips were not issued for all receipts, the method of payment was not indicated on the receipt slips and receipts were not transmitted intact.
- B. Checks and money orders were not restrictively endorsed immediately upon receipt.

Recommendation:

The County Clerk:

- A. Issue receipt slips for all monies received and ensure the method of payment is indicated on all receipts. Transmit all monies received intact and ensure the transmittals indicate which receipts are included in the transmittal. The cash, checks, and money orders received per the receipts should be reconciled to the composition

of transmittals to the Treasurer. In addition, receipts should not be used for County Clerk expenditures, a petty cash fund should be established from county revenues if needed, and the County Clerk should discontinue the practice of cashing personal checks.

- B. Restrictively endorse all checks and money orders immediately upon receipt.

Status:

A.&B. Not implemented. See MAR No. 10.

15. Sheriff's Accounting Controls and Procedures

- A1. Duties were not properly segregated.
2. A cash control ledger or monthly summary report adequate to account for all monies received and their disposition was not maintained.
 3. Open items listings were not prepared.
- B1. The method of payment was not indicated on receipt slips for gun permits and bonds.
2. Receipts were not always deposited intact.
- C. Traffic tickets were not adequately accounted for.
- D1. Evidence room duties were not adequately segregated or supervised.
2. The evidence log book was not complete.
 3. Court orders were not obtained for the sale of some seized property.
 4. Monies received from Sheriff sales were not remitted to the schools.

Recommendation:

The Sheriff:

- A1. Implement procedures to separate cash custody and recording functions and ensure there is a supervisory review of the work performed.
2. Prepare a monthly report listing all monies received and the ultimate disposition of those monies, and reconcile this report to the cash control records.
 3. Prepare a monthly listing of open items and reconcile it to the cash balances. An attempt should be made to investigate the unidentified monies and any monies remaining should be disbursed in accordance with state law.

- B1. Ensure the method of payment is indicated on all receipts and the composition of receipts is reconciled to the composition of bank deposits.
- 2. Deposit all monies received intact daily and ensure deposit slips indicate which receipts are included in the deposit. If a change fund is needed, it should be maintained at an established amount and should be obtained from county revenue.
- C. Maintain an adequate listing of all issued, assigned, and unassigned traffic tickets.
- D1. Segregate duties in the evidence room and review work completed.
- 2. Maintain an accurate and complete inventory listing of all evidence, and perform periodical inventory counts and compare them to the listing.
- 3. Obtain proper court orders for the disposition of all seized property.
- 4. Work with the County Commission to ensure the \$7,737 deposited into the Inmate Telephone Income fund is remitted to the schools.

Status:

On November 7, 1997, the prior Sheriff was removed from office. A special election was held and the new Sheriff assumed office on December 16, 1997.

- A1. Partially implemented. The new administration has provided some segregation of duties; however, the duties of receipting, recording, disbursing, and reconciling the fee account and bond account financial records are not adequately segregated. See MAR No. 16.

A.2.,A3.

& D1. Not implemented. See MAR No. 16.

B.1,B.2.,

C.,D.2,

& D.4.Implemented.

- D3. The Sheriff did not conduct sales of seized property during the audit period.

16. Prosecuting Attorney's Accounting Controls and Procedures

- A. Accounting and bookkeeping duties were not adequately segregated.
- B. Prenumbered receipt slips were not issued for all receipts.
- C. The method of payment was not indicated on the receipt slips and duplicate copies of the deposit slips were not retained.
- D. Checks and money orders were not restrictively endorsed immediately upon receipt and were not kept in a secure location until the time of deposit.

- E. Restitution payments and fees were not deposited or transmitted on a timely basis.
- F. Court-ordered restitution payments and bad check collections were not receipted or recorded in a cash control or on the check registers. As a result, monthly bank reconciliations were not performed.
- G. An adequate system to account for bad checks received and their ultimate disposition had not been established.
- H. Monthly listings of open items were not prepared.
- I. The County Commission did not review supporting documentation or warrants issued by the Prosecuting Attorney from the Prosecuting Attorney's Delinquent Tax and Prosecuting Attorney's Bad Check funds. In addition, the warrants issued for these funds were not prenumbered.

Recommendation:

The Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the work performed.
- B. Issue prenumbered receipt slips for all monies received.
- C. Record the method of payment for all monies received, retain duplicate copies of the deposit slips, and reconcile cash, checks, and money orders received to the composition of bank deposits.
- D. Restrictively endorse checks and money orders immediately upon receipt and forward checks and money orders made payable to merchants promptly. In addition, receipts should be kept in a secure location until deposited or transmitted.
- E. Deposit or transmit restitution and bad check fees daily or when accumulated receipts exceed \$100.
- F. Record all receipts, disbursements, and cash balances on a cash control ledger and reconcile monthly bank balances to monies held in trust.
- G. Implement procedures to adequately account for bad checks received as well as the ultimate disposition through the use of sequential numbers assigned to each bad check complaint form and a log to account for the numerical sequence and ultimate disposition of each bad check.
- H. Prepare a monthly listing of open items and reconcile it to the cash balance. An attempt should be made to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.

- I. Issue prenumbered warrants on the Prosecuting Attorney's Delinquent Tax Fund and the Prosecuting Attorney's Bad Check Fund, account for the numerical sequence of those warrants and reconcile warrants issued to warrants paid by the County Treasurer. In addition, copies of paid warrants and their supporting documentation should be submitted to the County Commission for its review.

Status:

- A. Partially implemented. Although the employment of a part time staff person improves the segregation of duties, we noted certain concerns regarding segregation of duties and the accuracy of bank reconciliations. See MAR No. 15.
- B.-H. Not implemented. See MAR No. 15.
- I. As of March 1998, Butler County discontinued the warrant system for county disbursements. At that time the County Clerk obtained checks for the Prosecuting Attorney's Delinquent Tax Fund and the Prosecuting Attorney's Bad Check Fund. Disbursements for these funds are now issued by the County Clerk and approved by the County Commission based upon invoices submitted by the Prosecuting Attorney.

STATISTICAL SECTION

History, Organization, and
Statistical Information

BUTLER COUNTY, MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1849, the county of Butler was named after William O. Butler, a Mexican War General. Butler County is a county-organized, third-class county and is part of the Thirty-Sixth Judicial Circuit. The county seat is Poplar Bluff.

Butler County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Butler County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	1998		1997	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 440,392	8	408,819	7
Sales taxes	1,983,705	34	2,025,958	35
Federal and state aid	1,874,175	32	1,833,827	31
Fees, interest, and other	1,529,484	26	1,588,363	27
Total	\$ 5,827,756	100	5,856,967	100

The following chart shows how Butler County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

USE	1998		1997	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 2,150,382	37	1,839,179	34
Public safety	1,941,145	34	1,862,392	35
Highways and roads	1,683,222	29	1,640,800	31
Total	\$ 5,774,749	100	5,342,371	100

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During 1998 and 1997, the Law Enforcement Complex Fund had receipts totaling \$1,123,011 and \$1,078,192, respectively, and expended or transferred \$1,063,738 and \$1,454,767, respectively, for public safety.

During 1998 and 1997, the Road and Bridge Capital Improvement, Eastern and Western District Funds had receipts totaling \$1,277,481 and \$1,172,021, respectively, and expended \$1,194,997 and \$977,083, respectively, for highways and roads.

The county maintains approximately 325 county bridges and 956 miles of county roads.

The county's population was 33,529 in 1970 and 38,765 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	\$ 205.5	196.0	131.7	49.3	30.9
Personal property	81.9	75.6	20.8	17.7	9.3
Railroad and utilities	22.6	22.7	21.3	17.9	11.9
Total	\$ 310.0	294.3	173.8	84.9	52.1

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Butler County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	\$.11	.11
Special Road and Bridge Fund	.04	.04
Health Center Fund	.10	.10
Developmentally Disabled Fund	.05	.10
Senior Citizens Service Fund	.05	.05

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

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	Year Ended February 28,	
	1999	1998
State of Missouri	\$ 90,797	86,606
General Revenue Fund	343,724	327,606
Special Road and Bridge Fund	122,818	116,642
Assessment Fund	112,579	108,594
Health Center Fund	300,274	287,990

Developmentally Disabled Fund	164,454	287,990
School districts	8,707,191	8,294,133
Community College	725,858	696,333
Ambulance district	56,824	57,294
Fire districts	389,933	375,698
Senior Citizen Board	148,547	142,424
Drainage District #12	2,680	2,731
Other Drainage Districts	318,011	322,937
Tax Sale Surplus Fund	14,781	8,970
Cities	63,639	63,175
County Clerk	1,004	1,073
County Employees' Retirement	78,221	85,647
Publication Fees	2,250	3,412
Commissions and fees:		
General Revenue Fund	193,089	185,031
County Collector	7,124	7,481
Total	<u>\$ 11,843,798</u>	<u>11,461,767</u>

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	90.3 %	90.8 %
Personal property	88.7	87.2
Railroad and utilities	100.0	100.0

Butler County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$ 0.0	None	50 %
Road and Bridge Capital Improvements	0.0	None	None
Butler County Corrections Center	0.0	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

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Officeholder	1999	1998	1997
County-Paid Officials:			
Robert Manns, Presiding Commissioner	\$	22,660	22,660
Gene Hart, Associate Commissioner		22,660	22,660
Robert L. Myers, Associate Commissioner		22,660	22,660
Debra Lundstrom, Recorder of Deeds		31,930	31,930
John Dunivan, County Clerk		34,505	34,505
Carl Miller, Prosecuting Attorney		40,170	40,170
William Heaton, Sheriff		41,200	1,717
Sam Gilmore, Sheriff			35,654
Betty DeCourley, County Treasurer		23,350	23,350
Larry Cotrell, County Coroner		8,239	8,239
Tom Cox, Public Administrator *		*	*

Paul Hogg, County Collector, year ended February 28,**	48,419	48,753
Marion Tibbs, County Assessor, year ended August 31, ***		39,463
Harold Tinsley, County Assessor , year ended August 31,***		38,262

* Includes fees received from probate cases. In his annual reports to the Secretary of State and the County Commission, the Public Administrator reported fees earned of \$148,771 and \$116,958 for the two years ended December 31, 1998 and 1997, respectively. The Public Administrator reported approximately \$118,564 was expended for staff salaries, \$39,030 was expended for administrative expenses, \$25,423 was expended for travel expense, and \$13,042 was expended for court costs and direct ward expenses from the fees received during the two years ended December 31, 1998.

** Includes commissions from drainage districts totaling \$7,124 for the year ended February 28, 1999 and \$7,481 for the year ended February 28, 1998.

*** Includes \$675 in annual compensation received from the state.

State-Paid Officials:

Wanda Ellsworth, Circuit Clerk	42,183	40,176
John Clark, Associate Circuit Judge	77,888	81,792
John Bloodworth, Associate Circuit Judge	4,221	
William Clarkson, Associate Circuit Judge	85,158	81,792

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

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Office	Number of Employees Paid by	
	County	State
Circuit Clerk	0	6
Recorder of Deeds	4	0
County Clerk	5	0
Prosecuting Attorney *	17	0
Sheriff *	49	0
County Treasurer	1	0
County Coroner	1	0
County Collector	2	0
County Assessor **	7	0
Associate Division	0	4
Probate Division	0	3
Road and Bridge	39	0
Juvenile Center	16	0
Edgewood Home	2	0
Tracker Program Grant	4	0
Total	<u>147</u>	<u>13</u>

* Includes two part time employees.

** Includes one part time employee.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Butler County's share of the Thirty-Sixth Judicial Circuit's expenses is 76 percent.

In 1994, the county began building a new law enforcement complex. The county entered into a nineteen year lease purchase agreement to pay for the building. At December 31, 1998 the county owed \$5,530,000 in principal installments on the lease payments which carry interest rates from 5.4 percent to 6.5 percent and are imputed based on the lessor's implicit rate of return. In addition, the county will be responsible for making additional lease payments related to the underlying leasehold revenue bonds as well as other costs incurred by the lessor related to the administration of the lease and the bonds. As of February 1, 1999, the county executed a new lease purchase agreement. At February 1, 1999, the county owed \$6,095,000 in principal installments on the lease payments which carry interest rates from 3.25 percent to 4.40 percent.